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SURVEY
Hong Kong as financial centre
Section III

World News

Hostages fly homewards after Beirut release

Freed British hostage Terry Waite flew home yesterday to an emotional, rain-swept welcome at the Royal Air Force's Lyneham airbase in Wiltshire. The Archbishop of Canterbury's special envoy repeated his belief that the other hostages still in Beirut would be freed by Christmas.

The optimistic forecast was echoed by fellow hostage Thomas Sutherland of the US, as he was reunited in Weisbaden, Germany, with the family he had not seen for more than six years. Page 10

US move criticised

Sadako Ogata, UN High Commissioner for Refugees, criticised the US for sending Haitian boat people back home while moves were under way to find provisional sanctuary for them. White House attacked, Page 6

Anti-pollution pact

European and North American states signed an agreement to cut emissions of volatile organic compounds by 30 per cent. The polluting gases come mainly from motor vehicles, solvents and petrol stations.

Shuttle launch delayed

US space agency Nasa called off a shuttle launch shortly before scheduled lift-off because of a fault in with a $300m military satellite on board. Officials predict a week's delay.

French lorry protest

French lorry drivers blocked roads across the country to protest against rising motorway tolls, diesel fuel taxes and insurance costs.

Gelli to stand trial

Licio Gelli, former leader of Italy's powerful P-2 masonic lodge, was sent for trial with others allegedly involved in the secret society. He is charged with slandering magistrates investigating the lodge. Fifteen others faces charges including political conspiracy and spying.

Quake halts trains

Trains had to stop and an airport closed in Japan after the Tokyo district was shaken by an earthquake measuring 4.9 on the Richter scale. No casualties were reported.

Moi sacks minister

Kenyan president Daniel arap Moi sacked energy minister Nicholas Biwott, who was named by a British detective as a prime suspect in the murder of foreign minister Robert Ouko 20 months ago. Page 4

Rebuilding plan backed

Lebanon's parliament approved plans to help rebuild war-damaged Beirut. The legislation clears the way for the formation of a property company to develop the former commercial district on the "Green Line" battle zone.

Soviet army change

Soldiers entering the Soviet army will be hired on contract from next year as the military begins its transition from a conscripted force to a professional one.

East Timor toll

A clandestine opposition movement on Indonesian-ruled East Timor issued the names of 30 people it said were killed in last week's army massacre.

Jet pilots missing

Two German airforce pilots were feared dead after their Tornado fighter jet crashed off the Dutch coast.

Cuba's instant justice

Cuba is cracking down on black marketeers on Havana's seafront. Suspects are being tried near the scenes of their crimes almost immediately after arrest, then jailed for up to a year. The improvised courtroom is a building workers' canteen.

Business Summary

Japanese growth will slip to 2.5% reports OECD

Japan's economic growth should slow from about 4.5 per cent this year to 2.5 per cent in 1992 largely because of the Bank of Japan's tight monetary policy, according to the OECD.

As a result, inflationary pressures should ease, the OECD says in a generally upbeat review of Japan's economic performance. The rate of increase in consumer prices should fall from a forecast 3.2 per cent for 1991 to 2.4 per cent for 1992. Page 20; Benefits of rural life urged, Page 4; Editorial comment, Page 18

EAGLE Star, insurance subsidiary of BAT Industries of the UK, reported mounting losses on its domestic mortgage indemnity business. The company made a pre-tax loss of £284m ($503m) in the nine months to September, compared with a loss of £248m in the same period last year. Page 21; Results, Page 26

EMU: Strong opposition to a wide role for the European Monetary Institute, embryonic central bank planned for the next stage of European Monetary Union, has been voiced by Wim Duisenberg, president of the Netherlands central bank. Page 3

HOECHST began the autumn results season of the German chemical groups by reporting a 22 per slide in pre-tax profits for the first nine months, to DM1.9bn ($1.2bn). The group held out little hope of an early improvement. Page 21

TDK, Japanese magnetic tape and electronic parts maker, reported a 10.8 per cent fall in consolidated interim pre-tax profit to Y27.7bn ($214m) to end September, as sales of recording tapes fell slightly and fluctuations in the value of the yen eroded profits. Page 24; Japanese results, Page 24

FOKUS Bank, Norway's third biggest bank, suffered heavy net losses of NKr1bn ($158.5m) for the first nine months of the year. Page 21

PORTUGAL'S trade deficit worsened sharply in the first nine months of this year, rising almost 20 per cent against 1990, to Es1,060bn ($7.55bn). Page 2

METAL markets will have to live with the turmoil created by exports from the former Soviet Union until at least 1993. Page 30

SIX leading European cement producers are showing interest in the sale of Heracles General Cement, the star attraction of Greece's privatisation programme. Page 22

VENEZUELA'S suspension of payments on a small portion of its foreign currency debt may put in jeopardy a new $300m loan from international banks. Page 25

GAMMON Construction, Hong Kong-based group jointly owned by Trafalgar House of the UK and Jardine Matheson in Hong Kong, is to lead a consortium building the territory's HK$2.6bn ($336m) newest port container development. Page 9

SALOMON Brothers: As part of a programme to restructure its less profitable lines of business, the Wall Street securities house confirmed that it has dismissed more than 130 employees from its investment banking and equity operations over the past month. Page 26

PETROCHEMICAL "mega-mergers" could be in prospect, given the dire state of the industry, said Andrew Butler, European division president of Dow, US chemicals group. Page 9

LLOYD'S: A group of Names has failed in an attempt at legal action in Canada against the Lloyd's of London insurance market for fraudulent misrepresentation. The court ruled the investors must take their case to court in England.

Survivors emerge to a new world of terror

By Laura Silber in Vukovar

"WE DON'T know where we are going. There is nothing left. My husband and I are alive, but does it matter?"

Terezije Kalina, a 60-year-old Croatian woman, had just emerged from three months of hiding underground while Yugoslavia's Serb-dominated army and Croatian forces fought above her head for control of Vukovar.

Nearby, a huddled group of 10 elderly men and women – rescued from their underground shelter only yesterday morning – begged for help from passing soldiers.

Not a single structure in the centre of the town has escaped damage. Many have been destroyed.

Drunken, straggling bands of Serbian reservists, some wearing sunglasses, behave like madmen. One soldier, wearing a white ice hockey helmet and a Yugoslav flag wrapped around his neck, rides by on a child's bicycle.

Suddenly, a group of wild-eyed, reservists surrounds a silent, bearded man and starts to beat him. Zoran, wearing a green combat helmet, emblazoned with the words: "Vukovar 91", says: "He was in the Croatian Guard until four days ago. Look at him. He does not have bags under his eyes."

A regular Yugoslav army officer tells the reservists to stop. He says: "I cannot stand these volunteers. They drive through the ruins of the town and expect now to be heroes here."

On the Street of the Yugoslav People's Army, houses bear surreal, grisly witness to their address. An embroidered picture hangs on the remnants of a wall. *Burned-out* trees show how the battles left little alive, except dazed pets which sniff through the rubble. A cat jumps into the wreck of a Volkswagen Golf.

Flames, and stinging black smoke fill a building in the town centre. A Serb fighter, now brandishing a wad of bank notes, claims he took them from a Croat sniper he had shot.

They are bank notes from 1941, printed by the Independent State of Croatia, the Nazi-backed state set up during the second world war. He claimed that Croat soldiers are now paid in kruna, the money of the Ustashe – the fascist state which killed hundreds of thousands of Serbs, Jews and gypsies.

A corpse lies uncovered. The man was shot in the forehead, his hands still clutch a gun.

Wigs pinned on the walls inside a gutted shop and a bullet-ridden sign "Ladies Beauty Parlour" attest to the now lost normality of this town where 50,000 Croats and Serbs lived before the civil war broke out.

On the outskirts of town, shell-shocked people pour out of trucks. The army tells them to sign their names.

In one case, four generations have survived the three months of terror. Mrs Marija Sesto, a 41-year-old Serb, clutches Aleksandar, her 18-month-old grandson, while Zorica, her daughter, 21, and her 72-year-old mother stand by.

Marija, a Serb textile worker, said: "We drank rainwater." Her daughter was married to a Croat. The mother-in-law did not want a Serb in the family. So he left. She does not know where he is.

"At night the Croat guards would

Continued, Page 20

Bosnians seek UN force to stop spread of war, Page 2
From Vukovar to Maastricht, Page 19

Wall Street falls again on concern over US outlook

By Patrick Harverson in New York and Peter Norman in London

SHARE prices fell sharply in New York yesterday for the second time in three trading sessions amid growing concern about the outlook for the US economy and the lack of new policy initiatives from the Bush administration.

By 2.30pm, the Dow Jones Industrial Average was down 71.56 at 2,901.16, a decline of 2.4 per cent.

The selling was not confined to blue chips, with the Standard & Poor's 500, the broadest measure of the market, falling 9.60 to 375.64.

The secondary market was hit particularly hard, with biotechnology stocks – the subject of speculative buying all year – again taking the brunt of the selling. The Nasdaq composite index of secondary stocks was down 17.85, or 3.3 per cent, to 521.58 by 2.30pm.

The weakness in share prices also fed through into the dollar, which fell another pfennig to DM1.6005 in New York.

The latest sell-off, which wiped out all of Monday's gains and took the total losses on the Dow in the last two and a half trading days to more than 150 points, was not triggered by any specific news.

Overnight and early morning losses in Tokyo and London, however, unnerved New York traders who had hoped foreign markets would hold their ground in the wake of Wall Street's rally on Monday.

In London, the British government's economic room for manoeuvre narrowed dramatically as a weak pound and falling share prices posed new threats to an already hesitant recovery from recession.

The currency and equity markets brushed aside official figures showing an end to the recession in the third quarter as fears grew that the next move in UK interest rates would be upwards.

On Wall Street, dealers attributed some of the selling yesterday to comments from Mr Michael Boskin, chief economic adviser to President George Bush, who said his office would reduce its 1992 economic forecasts because fourth-quarter domestic growth was going to be weaker than originally expected.

The market was also troubled by reports that the Bush administration has decided to delay until next year the introduction of any new policies to deal with the stalled economic recovery.

The assertion by Mr Bush that his most immediate task was to ensure his message about the economy got across more clearly, rather than to find new initiatives to spur growth, was said further to have undermined investor confidence in the government's ability to tackle the country's economic problems.

Yesterday's decline also reflected attempts by securities firms and specialist market-makers to sell unwanted stock bought during Friday's 120-point collapse.

Some analysts also pointed out that Monday's 30-point rally in the Dow was partly an illusion; the bulk of the gains were said to have reflected mark-ups in share prices by dealers rather than concentrated buying.

In London, the FTSE-100 index closed 39.8 points lower at 2,463.1 after having been some 52.5 points lower at one point.

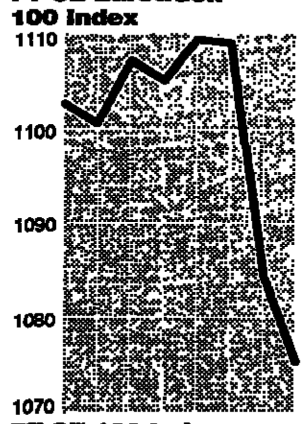
The pound closed down 0.25 pfennigs at DM2.8750 in London at around its lowest levels against the D-mark for 11 months and only 2 pfennigs above its effective floor in the exchange rate mechanism of the European Monetary System. It registered a modest gain of 0.6 cents against a weak dollar to close in London at $1.7965.

With the pound firmly established as the weakest currency in the ERM, Mr Norman Lamont, chancellor of the exchequer, stressed the British government would do whatever was necessary to maintain sterling within its 6 per cent fluctuation margins.

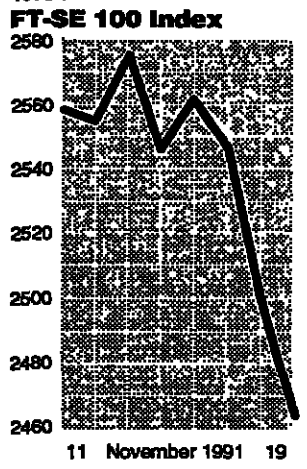
"That has been our policy and remains our policy and we wouldn't flinch from what was necessary," he told reporters.

The Bank of England, meanwhile, was understood to have been intervening modestly to support the UK currency.

FT-SE Eurotrack 100 Index



FT-SE 100 Index



Source: Datastream

Shevardnadze reappointed foreign minister

By Anthony Robinson in London and Leyla Boulton in Moscow

MR Eduard Shevardnadze, who resigned last December after an emotional warning about the dangers of an impending coup, was yesterday reappointed foreign minister of the new Soviet confederal state.

His appointment, announced by Mr Mikhail Gorbachev, the Soviet president, and approved by Mr Boris Yeltsin, president of the Russian federation, was part of a wide-ranging diplomatic reshuffle. This saw Mr Boris Pankin, the present foreign minister, transferred to London as the new ambassador, replacing Mr Leonid Zamyatin.

Mr Shevardnadze, 63, who had served as foreign minister for five years and who liberated Soviet foreign policy from communist dogma, was notable for building close relationships with western leaders.

His reappointment underlines the need for a powerful and trusted figure at the heart of the new Soviet diplomacy at a time when there is an unprecedented need for close relationships with the west.

Mr Shevardnadze was architect of the "new thinking" in Soviet foreign policy which led to the end of the cold war and liberty for eastern Europe. He enjoyed a close personal relationship with Mr James Baker, the US secretary of state, and other western leaders. The Georgian had rejected, only two months ago, an offer from President Gorbachev to return to the foreign portfolio.

Mr Gorbachev is now president of a much-reduced Soviet state whose former powers, including many diplomatic functions have been largely taken over by Mr Yeltsin and leaders of other Soviet republics. Mr Yeltsin is believed to have played a key role in Mr Shevardnadze's appointment.

Mr Shevardnadze's acceptance of the job is both a brave gamble and a logical decision. Having discovered the lack of promise in opposition politics – until recently he said his most important task was to nurture the Democratic Reform Movement which he helped set up – Mr Shevardnadze evidently believes his experience can best be used to salvage some form of Soviet foreign policy for a disintegrating nuclear superpower.

What remains of the centre is trying to implement wide-ranging arms control treaties, preserve control of its nuclear weapons and of its army, and co-ordinate the search for western economic aid.

Mr Shevardnadze said he believed it was still possible to salvage some kind of union – after an agreement by six of the 12 republics to pursue a new-look union treaty for a confederation of sovereign states.

Mr Pankin, 60, an early and outspoken opponent of the coup when ambassador to Prague, suddenly found himself catapulted into the top diplomatic job and coped with his new task as well as he could.

Moves on foreign aid, Page 2

KLM and BA find models for their possible merger

By Charles Leadbeater in London and Ronald van de Krol in Amsterdam

BRITISH AIRWAYS and KLM, the Dutch airline, are discussing a possible merger which could be modelled on the Anglo-Dutch groups Unilever and Shell.

The merger would create an airline with a market capitalisation of more than £2.2bn ($3.9bn) which would overshadow the European industry.

Under the plan, the two airlines would remain legally separate entities and retain separate stock market quotations under these models. This maintenance of the national companies might help to overcome political opposition to a merger, as well as overcoming regulatory obstacles.

However, the two companies would be able to manage their airline fleets, computer systems and staff jointly to reap economies of scale.

By retaining national companies, but merging their operations, the two companies would reduce the risk that crucial route licences granted to them on a bilateral country to country basis would be revoked. If BA simply took control of KLM, it is unlikely that aviation regulators would allow a British airline to take over the Dutch airline's international routes.

Significantly, Sir Michael Angus, the British joint chairman of Unilever, is also BA's deputy chairman. Sir Michael is thought to be playing an influential role in the merger talks with KLM, which were disclosed a month ago.

The new airline would be more than twice the size of its nearest competitor – Lufthansa, the German group.

A merger would match Delta, the third largest US airline although it would still be significantly smaller than the largest US companies, American Airlines and United Airlines, which are expanding their European operations.

A deal could become a crucial test of the balance of power within the European Commission over the balance between deregulation to make markets more competitive and industrial policies to promote European companies large enough to compete with the mighty US airlines.

Neither KLM nor BA would comment upon a claim made by the Dutch transport union FNV, that BA was on the verge of taking a 60 per cent stake in a merged airline, with KLM holding a majority of the remainder.

After three hours of talks between the union and KLM, both airlines denied that a letter of intent on a merger was due to be signed yesterday in London. Other Dutch transport unions criticised the FNV's claim as alarmist.

Under the Shell model, which analysts believe might prove more attractive, BA and KLM would jointly own a holding company which would own and manage the aircraft fleet and staff. This holding company would pay dividends to the national parent companies.

BA going Dutch, Page 21

CONTENTS

El Salvador looks to peace built on hatred and distrust

President Alfredo Cristiani cautiously welcomed the FMLN guerrillas' unilateral declaration of an end to the country's long civil war, and has hinted that government forces may also stop offensive action Page 6

MARKETS

STERLING
New York lunchtime:
$1.7965
London:
$1.7965 (1.7905)
DM2.875 (2.8775)
FFr9.8325 (9.835)
SFr2.56 (2.555)
Y233.25 (231.75)
£ Index 91.1 (91.3)

GOLD
New York Comex Dec
$364.4 (361.5)
London:
$363.15 (361.1)

N SEA OIL (Argus)
Brent 15-day Jan
$20.925 (21.275)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.6018
FFr5.47
SFr1.419
Y129.9
London:
DM1.6025 (1.607)
FFr5.4725 (5.4925)
SFr1.42 (1.427)
Y129.8 (129.4)
$ Index 62.7 (62.8)
Tokyo close: Y129.48

US LUNCHTIME RATES
Fed Funds: $4\frac{3}{4}$%
3-mo Treasury Bills: 4.648%
Long Bond: $101\frac{11}{32}$
yield: 7.872%

STOCK INDICES
FT-SE 100:
2,463.1 (−39.8)
FT-A All-Share:
1,190.42 (−1.5%)
FT-SE Eurotrack 100:
1,075.11 (−9.05)
New York lunchtime:
DJ Ind. Av.
2,916.37 (−56.35)
S&P Comp
378.06 (−7.16)
Tokyo: Nikkei
23,326.86 (−73.26)

LONDON MONEY
3-month Interbank:
$10\frac{1}{2}$% ($10\frac{17}{32}$)
Liffe long gilt future:
Dec $95\frac{5}{16}$ ($95\frac{5}{32}$)

EUROPEAN NEWS

Bosnia appeals for UN to send peace-keepers

By Judy Dempsey, East Europe Correspondent

LEADERS of Yugoslavia's republic of Bosnia-Hercegovina yesterday appealed for the United Nations to send an international peace-keeping force to the region as soon as possible to stop the civil war spreading from Croatia.

Mr Rusmir Mahmutcehajic, deputy prime minister of Bosnia-Hercegovina, said that several villages along the republic's coast, including the hamlet of Ravno, 15km north of Dubrovnik, had already been destroyed by army reservists from the neighbouring republic of Montenegro, which has supported Serbia.

Bosnia has an ethnically mixed population of 4.3m, with Moslems making up 43 per cent, Serbs 33 per cent and Croats 17 per cent.

"About 600 Croats lived in Ravno," said Mr Mahmutcehajic. "The village was razed earlier this month. You have no idea about the scale of the evil taking place. All the inhabitants were killed. There is fighting and looting in other parts of the country. Over 3,000 refugees have fled to Sarajevo [the capital of Bosnia-Hercegovina]," he said.

He said the republic was "facing destruction and killing," adding that "UN peace-keeping troops should be located on all the republic's borders. This is the only way to stop the war from spreading." He added that he believed the Serb-dominated federal army, backed by Serb and Montenegrin reservists, and supported by Serbia's politicians, were deliberately using Bosnia as a base from which to attack Croatia.

"Some of the bombardments of Dubrovnik, which were carried out by Montenegrin reservists, were launched from inside Bosnia. We are now vulnerable to attacks from Croatia," he said.

"You can see the strategy of the federal army and Serbia's politicians unfolding. They want to draw us into the war, split this republic, and then create a new, Serb-dominated rump Yugoslavia," he said.

Bosnia-Hercegovina has refused to be drawn into the conflict. But the fragile relationship between the three ethnic groups has been severely strained since the Serbian Democratic Party of Bosnia, led by Mr Radovan Karadzic, openly sided with President Slobodan Milosevic of Serbia and declared autonomy for Serb-inhabited regions in Bosnia over the past few weeks.

Meanwhile, Serbia is tightening its grip over the ethnic Albanians in its southern province of Kosovo. Mr Ibrahim Rugova, president of the opposition Democratic League of Kosovo (LDK), reported that several of its members were arrested recently, and scores of workers sacked or evicted from their homes for using their Albanian language.

Mr Rugova said he would ask the United Nations, the European Community and the US "to do everything in their power to demilitarise Kosovo". He said: "We ask that the army and the Serbian police be withdrawn from Kosovo."

Western negotiators find Soviet habits die hard

By Leyla Boulton in Moscow

IT ALL boils down to seven decades of communist rule. The key to survival was to promise one thing and do another, whether in fulfilling a five-year plan, or in boasting about non-existent Soviet achievements.

But such traditions have proved a disaster when dealing with financial experts from the western world's seven richest nations. G7 deputy finance ministers, putting together a package to prevent the Soviet Union from defaulting on a debt variously calculated at $60bn to $80bn, thought that, in exchange, they had secured a commitment last month from the 12 newly assertive republics to honour the debt.

Back in Moscow this week, the same G7 deputies found the republics had not only made no progress in putting together a mechanism to implement their promise. Some even declared that their signature on last month's documents had not been for real.

No-nonsense men like Mr David Mulford, US Treasury under-secretary for international affairs, suddenly found that the norms of business behaviour were not applicable. So the G7, engaging in a crash course in Soviet behaviour, found themselves forced to use ultimatum tactics – just like some old party boss would have told a collective farm manager to get his harvest together or face expulsion from the party.

But despite an ultimatum to come up with a credible mechanism for jointly servicing the debts so that the G7 could put their financial aid package into effect, the republics' prime ministers had yesterday only reached a tentative agreement.

"If they do not reach an agreement, this will be a failure for both sides," said one western diplomat. "For the Soviet side it would be crazy to miss this opportunity (for debt release) because time is running out for them. On the G7 side, governments expect the deputy finance ministers to come to an agreement. Bush, Kohl and everybody expects something to come out of this meeting."

Late yesterday afternoon, nine republics said they would hammer out an agreement with the G7, while three others including the Ukraine, withheld their approval. Mr Vitold Fokin, Ukrainian prime minister, said his proposal for the republics to go away for three or four days to divide up the assets and liabilities of the Soviet Union and then present a united front to the G7 had been rejected by other republics.

It was not clear what the agreement of the nine means in practice and whether the three others will finally come round. There is still a little time to find out: the G7 deputies are due to leave Moscow this afternoon.

Brussels to vote on aid for airline

By Andrew Hill in Brussels

EUROPEAN commissioners will be asked today to approve the French government's FFr2bn ($350m) capital injection for Air France, the state airline.

Mr Karel Van Miert, the transport commissioner, began an informal inquiry into the matter in July and a formal investigation was started in September. Today's debate in Commission could pit Mr Van Miert, who will ask for the capital injection to be waved through, against Sir Leon Brittan, competition commissioner. State aid is normally handled by Sir Leon, who takes a strong line against subsidies for state-owned companies, but for historical reasons government aid to airlines is part of Mr Van Miert's portfolio.

Mr Van Miert's recommendation will not touch on the decision last July by Banque Nationale de Paris, the state-owned bank, to take a FFr1bn stake in Air France. Both the government injection and the BNP stake are part of a three-year plan by Air France to raise FFr5bn of fresh capital to keep its debts in line.

In July, the transport commissioner said he could see no reason for an inquiry into whether the French government was behind the BNP purchase. That appeared to put him at odds with Sir Leon, who had just announced an inquiry into a similar case involving Crédit Lyonnais, another French state-owned bank, and steel-maker Usinor Sacilor.

About 10,000 students demonstrate in Prague yesterday in support of President Vaclav Havel's attempts to resolve the crisis over relations between the Czech and Slovak republics.

Europeans fight over space plans

By Clive Cookson, Science Editor, in Munich

ATTEMPTS were being made last night to keep some European Space Agency activities going in the face of Germany's insistence that the agency's main programmes should not proceed to the next stage until they have been reviewed and thrown open to Japanese and Soviet collaboration.

Some of the smaller countries represented at the ESA ministerial meeting in Munich expressed concern yesterday that they might lose out in the clash of interests between Europe's two space giants, France and Germany.

France's priority has been to protect Hermes, the ESA's French-led manned spaceplane, against German demands to hold down its soaring costs. Germany for its part is reluctant to sacrifice Columbus, the German-led European contribution to the US space station, Freedom.

Britain, only a small participant in European space politics with just 6 per cent share of the ESA's Ecu2.8bn ($3.5bn) 1991 budget, has been leading a move to proceed with the agency's "remote sensing" programme. This involves observing Earth and its environment from space. The main UK interest is in the Polar Plaform, an 8-tonne satellite loaded with earth-monitoring instruments scheduled for launch in 1998.

Italy, on the other hand, is insisting that any agreement in Munich should protect the Data Relay Satellite in which it has a particular interest.

"Everyone is fighting for his pet projects," said one participant.

The only safe prediction last night was that any agreement reached before the 13 ministers leave Munich today will be a short-term compromise. They will have to assemble again next year. Indeed, there is widespread feeling that the four-year interval since the last ministerial meeting was too long and allowed ESA programmes to run out of control. Annual meetings are likely to be the rule from now on.

Finland's EC date

By Robert Taylor in Stockholm

FINLAND WILL decide next February whether to apply for European Community membership, President Mauno Koivisto said yesterday.

Support for entry is growing in the country. In a fortnight, Finland's main trade confederation, SAK, is expected to come out in favour; last weekend, the opposition Social Democrats urged the centre-right government to decide soon.

The government is carrying out three studies on the likely impact of membership on the economy, the constitution, and defence and foreign policy. These will be published at the turn of the year.

Fresh doubts over HDTV strategy

By Andrew Hill in Brussels

THE European Commission's endorsement of a more flexible strategy to develop high-definition television in the EC may not be enough to win the necessary support of broadcasters and satellite operators.

Mr Filippo Maria Pandolfi, the telecommunications commissioner, told the European parliament late on Monday night that he was prepared to accept several important amendments to the draft HDTV directive. It is not yet clear whether MEPs will support the amended legislation when they vote on the draft this evening in Strasbourg.

The measure, if approved, would then go forward for discussion by telecommunications ministers on December 5.

The Commission has agreed to relax the requirement for all new satellite services to broadcast in a single standard, D2-Mac, as an intermediate step towards a full high-definition standard, HD-Mac. New services would be able to "simulcast" in existing non-HDTV standards as well as D2-Mac.

But broadcasters and satellite operators, which use other transmission standards, are still likely to oppose the amended strategy as being too restrictive. When the issue was last discussed by ministers, the broadcasters' more liberal line was backed by the UK, Spain, Ireland, Denmark and Luxembourg. Manufacturers, which have invested heavily in D2-Mac technology, want a narrower approach.

Mr Pandolfi told MEPs on Monday that the Commission had received "significant expressions of interest" from the industry about its idea for a letter of intent. This is supposed to lead to a memorandum of understanding between manufacturers and broadcasters, laying out an industrial strategy to run in tandem with the directive.

But Mr Dermot Nolan of Coopers & Lybrand, the consultancy group, said yesterday: "I think it's very unlikely that these concessions will be enough. They certainly won't be enough for the coalition of governments which have a blocking minority."

This summer, Coopers & Lybrand prepared a report for several private broadcasters and satellite operators on the cost of the Commission's HDTV strategy to consumers, estimated at as much as Ecu21bn ($26.25bn) over 10 years. Mr Nolan said yesterday the simulcasting requirements of the amendments alone could cost broadcasters $6.2bn.

Portuguese trade gap widens

By Patrick Blum in Madeira

PORTUGAL'S trade deficit worsened sharply in the first nine months of this year, rising almost 29 per cent against 1990, to Es1,060bn ($7.5bn).

The deterioration follows a 0.5 per cent fall in the value of exports to Es1,721bn while imports remained strong, rising by 6.3 per cent to Es2,781bn, in spite of government efforts to curtail demand through high interest rates. Popular confidence in the economy has encouraged consumption.

For example, sales of new cars, mostly imported, have remained high and risen by more than 10 per cent so far this year, in spite of the high cost of credit.

The poor export performance is due to several factors including the effects of the Gulf war and the slowdown of the economies of some of Portugal's major markets in Europe and the US.

The impact of the worsening trade balance, however, is minimised by revenues from tourism – expected to reach a record this year – and remittances from workers abroad.

Two-party coalition for Turkey

By John Murray Brown in Ankara

TURKEY yesterday ended a month of political uncertainty, with the conservative True Path Party (DYP) and the Social Democratic Populists (SHP) agreeing terms for a new coalition government.

This will be pledged to radical political and social reforms, under Mr Suleyman Demirel, the DYP leader, heading a 32-man cabinet.

He thus achieves a remarkable political comeback, having been premier six times and twice ousted by the military. Mr Erdal Inonu, head of the SHP, will be deputy prime minister. Mr Demirel has withstood SHP demands for the education portfolio, one of the largest ministries and a key fount of political patronage.

Turkey faces many problems, including 70 per cent inflation and growing unrest in the Kurdish south-east.

EUROPEAN NEWS

Dutch bank chief against powerful role for EMI

By David Marsh, Europe Editor, in Amsterdam

STRONG opposition to a wide role for the European Monetary Institute (EMI), the embryonic central bank planned for the next stage of European Monetary Union (Emu), has been voiced by Mr Wim Duisenberg, president of the Netherlands central bank.

Mr Duisenberg said he disagreed with suggestions that the EMI should have independent power to manage foreign exchange reserves on behalf of Community central banks.

"I don't understand this argument," he said. There could be no "supranational element" in the functioning of the EMI since individual central banks were to retain full control of national monetary policies during stage two of Emu.

Mr Duisenberg made a plea for the EMI and the eventual European central bank to be sited in Amsterdam.

The EMI is proposed to be established at the start of stage two in January 1994. It would form an interim step towards a fully-fledged European central bank to manage a single European currency, which could be created after 1997.

France and Italy have called for the institute to have powers similar to that of a central bank, while Germany and the Netherlands want it to be little more than an extension of the existing committee of EC central bank governors.

The Dutch central bank has indicated it supports a Franco-German compromise under which the EMI would be headed by a president drawn from EC central bank governors. An outside expert would be chosen as managing director in charge of the day-to-day running.

Mr Duisenberg said he was virtually certain that EC heads of government would agree a treaty on monetary union at their summit in Maastricht next month. "If that happens, I see the European central bank being set up before the end of the century."

Mr Duisenberg, a former Dutch finance minister and a past president of the Bank for International Settlements, said Emu was likely to go ahead with seven or eight countries. Members would include Italy, which would have to make clear progress to lower its budget deficits to accord with tough economic criteria recently proposed by the Dutch EC presidency.

He said he was convinced that Germany would eventually give up control of the D-Mark as part of a pooling of EC monetary powers. If there was no agreement on Emu, there would be a risk that Germany would "turn inward", he said.

Duisenberg: No supranational powers for fledgling central bank

UK gives ground on common foreign policy

By David Buchan in Brussels

THE BRITISH government now concedes that an element of formal "common action" in EC foreign policy may be tolerable, even desirable, and that minor details of policy actions could be settled by majority vote, a UK official said yesterday.

However, it is determined to fight at next month's Maastricht summit the extension of majority voting in social policy. It is only ready to concede that a few more environmental laws could be passed by majority verdict.

The EC's badly co-ordinated, and ill-tempered, participation at the Middle East peace conference in Madrid earlier this month has apparently helped persuade the UK government that more formal arrangements could be useful in foreign policy.

The Madrid meeting was marked by Mr Abel Matutes, the EC commissioner responsible for Middle East affairs, vainly squabbling to get a chair at the main conference table alongside Mr Hans van den Broek, foreign minister of the Netherlands which holds the EC presidency.

This led one of the conference's co-hosts, Mr James Baker, the US secretary of state, to comment that while the most troublesome delegation had been the Syrians, the second most troublesome was the EC.

Britain is still not happy with current language in the Dutch presidency's draft treaty stating that measures to implement a common EC foreign policy stance should "as a general rule" be taken by majority vote. But it sees merit in the possibility that the 12 Community states might formally co-ordinate a specific common action, such as participation in the Middle East conference.

This might, in the British view, have settled Mr Matutes' proper place at the conference table, and also prevented various EC ministers speaking with less than a united voice.

Irish raise Maastricht abortion issue

By David Gardner in Brussels

IRELAND has raised some eyebrows among its EC partners by asking for a protocol to be attached to the political union treaty at Maastricht next month, specifying that none of its provisions would allow abortion, which the Irish constitution proscribes.

Irish officials in Brussels described the request as "an insurance policy" against constitutional challenge when the treaty – if it is agreed at the Maastricht summit – is put to referendum in Ireland. When the Single European Act was being ratified, claims that it compromised Ireland's neutrality delayed Irish assent for some six months.

None the less, some officials in Brussels regard the move as a ploy by Mr Charles Haughey's hard-pressed Fianna Fail administration, riven by a spate of scandals and challenges to Mr Haughey's leadership.

Witness fails to show at EC fraud inquiry

By Tim Coone in Dublin

A KEY witness has failed to appear before an inquiry in Dublin into alleged fraud involving EC subsidies at Goodman International, Europe's largest beef processor.

Mr Patrick McGuiness, a former accountant with Goodman was scheduled to testify before the Beef Industry Tribunal all this week regarding allegations he made on television this year against his former employers.

He and others employed by Goodman International have claimed that systematic fraud was carried out at Goodman meatpacking plants, through the forging of documents, the use of bogus grading stamps, and the reboxing of substandard meat, which was then sold into EC intervention stocks and received EC subsidy payments.

As a result of the allegations, a public inquiry was set up last June, but has suffered delays as lawyers acting for Goodman International made appeals through the Dublin High Court and Supreme Court, to try to limit the scope of the inquiry. They have argued that allegations made in a public tribunal would prejudice a fair trial if directors of the company were subsequently charged. The appeals were rejected.

The tribunal is expected to continue until the end of the year, and may have serious political implications, as it is expected to investigate allegations of political favouritism and inadequate government supervision of processing procedures for beef sold into EC intervention through the Goodman plants.

Mr McGuiness lives in Canada, and a lawyer acting for him told the tribunal chairman, Mr Liam Hamilton, that "difficulties" had arisen for his client shortly before his departure last Friday "and these must be resolved before he can travel to Dublin to give evidence".

Good vintage may freshen up grim year for growers

French look to Beaujolais Nouveau to rejuvenate sales

By Alice Rawsthorn in Paris

AT midnight tonight corks will pop in the bars and *brasseries* of the Beaujolais region of France as the first bottles of this year's Beaujolais Nouveau wine are opened.

The same ritual will be repeated from Berlin to Bangkok as soon as the 1991 Nouveau arrives. The launch of the Beaujolais Nouveau, trumpeted by the familiar flurry of publicity, on the third Thursday of November is now established as one of the most important events in the French wine industry's year.

This year's launch is more important than usual. So far 1991 has been a grim year for France's vineyards. Sharp frosts in early spring devastated the Bordeaux grapes, and Burgundy prices have fallen sharply because of the poor quality of this year's crop. The economic slowdown has taken a toll on demand for fine wines and champagnes. French wine exports fell by nearly 3 per cent to FFr12.5bn (£1.26bn) in the first half of 1991: the first fall for 15 years.

Luckily, the 1991 Beaujolais Nouveau promises to spread a little light amid the gloom. The frosty spring may have been too chilly for the grape growers of Bordeaux, but the long, hot summer could scarcely have been better for the Beaujolais vineyards.

The 1991 Nouveau, says the Union Professionelle des Vins du Beaujolais, will be a "deep ruby red with glints of violet", light and fruity to taste, just as it is supposed to be.

The vineyards of Beaujolais badly need a successful season. Historically the region was one of the poorest in France. Its hilly terrain and sandy soil was fit for little but grapes and the product of those grapes was dismissed as a poor man's drink. But the success of Beaujolais Nouveau has transformed the local economy.

The vineyards started selling their *primeur* wines – those drunk little more than a month after harvest – to the bars of nearby Lyons more than 100 years ago. The custom spread to Paris in the 1950s and since the 1960s it has been exported all over the world. The Japanese, who eagerly added Beaujolais nouveau to their long list of western crazes, are prepared to pay as much as FFr400 (£40.40) for a bottle which would cost FFr60 in a Paris restaurant. The Beaujolais winemakers now depend on Nouveau for a third of the 180m bottles they sell a year, most of it exported.

After decades of growth, the market for Beaujolais Nouveau has matured and sales have remained stubbornly stable for the past three or four years. The vineyards clearly hope that the high quality of the 1991 vintage will stimulate sales again.

They won't have long to wait. Most of the 60m bottles of Beaujolais Nouveau sold every year are bought within the first week of its launch.

Italians face road, air and rail chaos

By Robert Graham in Rome

TRAVELLERS in Italy face disruption after petrol station owners and railway and airport workers called strikes this week.

Petrol station owners closed down on Monday evening and are to strike until Saturday.

Meanwhile the union representing Italian airport workers called an eight-hour stoppage for Saturday to protest against working conditions. The strike is expected to paralyse air traffic all over the country.

And a rebel union of railway workers, dissatisfied with a new contract agreed with the government, has also called a day-long stoppage for December 6.

Motorists faced with life without petrol were advised to avoid revving engines, keep out of low gears and use the car only when absolutely necessary.

The shutdown could be prolonged until the following Tuesday unless the petrol station operators obtain satisfaction from the government and the oil companies on a complex range of demands.

Before the protest began there were long queues at petrol stations in major cities but yesterday in Rome there were few users in the normally busy streets.

Some 32,000 of Italy's 34,000 petrol stations are affected by the action, which is aimed mainly at obtaining tax rebates promised, but only partially provided, by the government.

The shutdown, however, reflects the changing nature of petrol distribution in Italy where up to a fifth of the stations have become uneconomic. The prospect of 7,000 petrol stations closing has alarmed the operators.

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Zimbabwe close to accord on $400m IMF loan

By Tony Hawkins in Harare

ZIMBABWE is close to an agreement with the International Monetary Fund for a three-year $400m (£226m) loan to support its structural adjustment programme.

It has applied for the concessional Enhanced Structural Adjustment Facility (ESAF), for which it is now eligible having been downgraded from middle-income to low income status, following the steep devaluation of the Zimbabwe dollar. But because ESAF funds are limited, Zimbabwe may have to settle for the non-concessional Extended Fund Facility (EFF) or, more probably, a blend of the two.

Zimbabwe had hoped to avoid seeking IMF funding but with the marked deterioration of the balance of payments -largely as a result of trade liberalisation – it has been forced to turn to the Fund.

The current account external payments deficit is estimated to have doubled this year from $400m in 1990 to approximately $900m – more than 10 per cent of gross domestic product. Even with buoyant tobacco prices and a 25 per cent increase in the crop, export earnings will be only modestly higher this year than last.

But imports have risen steeply as more than a fifth of total imports are now on open general import licence (OGIL). Furthermore, the balance of payments will come under fresh strain from the suspension of beef and dairy exports following a new outbreak of foot-and-mouth disease and the need to import $25m of maize from South Africa.

Zimbabwe has been forced to borrow short-term funds abroad pushing up next year's debt-service ratio above 30 per cent from a targeted 20 per cent.

The IMF is understood to have bluntly told Zimbabwe to tighten both its monetary and fiscal policies to stabilise prices and the balance of payments. The money supply rose 40 per cent in the year to September (partly seasonal due to tobacco financing) and inflation is currently 23 per cent.

The Fund team – along with the banking establishment – in Harare was astonished last week when the Reserve (central) Bank of Zimbabwe lowered interest rates and eased liquidity, after less than two months of monetary stringency.

The Zimbabwe authorities, apparently nervous of adverse public reaction to higher interest rates – and especially an increase in the mortgage rate for home-buyers – have been reluctant to impose positive real deposit rates, though money market and some lending rates are above the official inflation rate.

The tough conditionalities associated with an IMF programme will slow economic growth next year and intensify the problems of President Robert Mugabe's government, which is more unpopular today than at any time since coming to power more than 11 years ago.

Benefits of rural life urged on Japanese

By Robert Thomson in Tokyo

THE Japanese are being encouraged by a government agency to move to the country – to improve the quality of their life, to change their business habits, and to lower overcrowding in Tokyo.

While the bright lights of the capital continue to lure young Japanese from rural areas, the Economic Planning Agency (EPA) reckons in its White Paper on National Life that Tokyo ranks only 38th out of 49 regions in a new index of "life satisfaction".

The report also suggests that decentralisation will be difficult without a change in business habits, which rely heavily on face-to-face contacts and entertaining that puts pressure on companies to locate in Tokyo, the centre of political and financial activity.

In particular, it calls for more "transparency" in Japanese business life, echoing US complaints to the Japanese government that lack of transparency makes it difficult for foreign companies to establish operations here.

Yamanashi, a prefecture to the west of Tokyo, topped the "life satisfaction" index, followed by the mountainous region of Nagano and the coastal prefecture of Toyama. The latter has already launched a programme to encourage the return of people who have left for higher education in the capital.

The white paper says that the heavy concentration of tertiary colleges in Tokyo, about 40 per cent of the total, continues to draw young people from country areas. At the same time, regional cities are advised to broaden the range of job and leisure options.

Ghost of E Timor starts to haunt Canberra

Kevin Brown analyses the events behind a rising tide of public opinion in Australia

THERE HAVE have been angry demonstrations in Canberra and other Australian cities this week as details have slowly emerged of an Indonesian massacre of civilians in Dili, capital of the former Portuguese colony of East Timor.

The demonstrations are aimed at the Indonesian régime of President Suharto, which invaded East Timor in 1975 after the Portuguese withdrew in the wake of a democratic revolution.

But they also raise awkward questions about the direction and consistency of Australia's approach to its Asian neighbours, with whom it shares a geographical location and little else.

Indonesia declared East Timor its 27th province in 1976, ignoring widespread condemnation of the invasion. It has since had little trouble in suppressing the small and badly armed Fretilin independence movement.

Jakarta, which has announced an inquiry into the massacre, blames Fretilin for provoking a confrontation between its troops and the mourners at a funeral last week.

Indonesia admits that at least 19 people were killed, but foreign witnesses say dozens may have died, and Fretilin claims 80 prisoners were machine-gunned three days later.

The massacre poses a dilemma for Australia, which has been trying for several years to "enmesh" itself in the Asia/Pacific region, which Canberra once saw as a military and economic threat but now views as an opportunity.

In trade terms, the policy has paid dividends – Asia buys more than 55 per cent of Australian exports – and Canberra's efforts are now directed towards tapping future growth in the region.

Australia has also increased its role in regional affairs, including helping to negotiate the recent UN settlement in Cambodia and to establish the Asia Pacific Economic Co-operation (Apec) group.

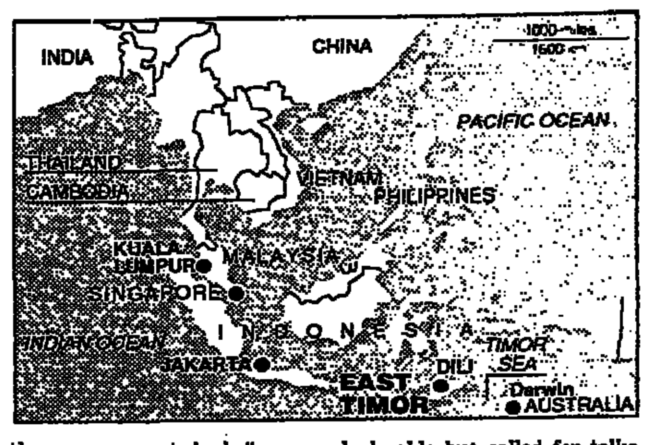
However, Canberra has found it difficult to reconcile the robust openness of Australian society with the more restrained cultures of many of its neighbours.

The gulf was illustrated recently by a lengthy row with Malaysia over the television soap opera "Embassy," which deals with the adventures of a group of Australian diplomats in a fictional South East Asian country.

The programme provoked strident protests from Dr Mahathir Mohamad, Prime Minister of Malaysia, who was incensed by references in the credits and storylines which he believed were based on historical events in Malaysia.

The dispute was eventually solved by an Australian acknowledgement that offence had been caused, together with an assurance that the government would dissociate itself in future from inaccurate presentations of Malaysia.

But the rapprochement with Dr Mahathir was gained at the cost of domestic criticism that the government had "grovelled" to a country which does not permit editorial freedom to its own media.



There is also a contrast between Australia's forceful response to anti-democratic activity in other regions and its restrained reaction to similar events close to home. For example, Australia was eager to help defend far-away Kuwait from aggression by a larger neighbour, and was one of the first countries to offer assistance to the US-led allied forces.

Yet Canberra has never sought either military or diplomatic action to remove Indonesia from East Timor, which lies less than 400 km north-east of Darwin across the Timor Sea.

Mr Bob Hawke, the Prime Minister, cried when China's Communist leaders smashed the country's pro-democracy movement, but, when told of the Dili massacre, said it was deplorable but called for talks to reconcile the 700,000 Timorese to Indonesian control.

Senator Gareth Evans, the Australian Foreign Minister, rejects suggestions that Australia has soft-pedalled on criticism of Indonesia's human rights record and claims Canberra has been a restraining influence.

Yet the interests of the Timorese appeared to be far from the Australian government's mind last year when it concluded a treaty with Indonesia that allows the two countries to develop oil fields in the Timor Sea.

The deal was signed by Senator Evans and Mr Ali Alatas, his Indonesian counterpart and friend, in a Champagne ceremony held on board an aeroplane flying over the oilfields. East Timor was not mentioned.

Mr Sabam Siagian, the ebullient former newspaper editor recently appointed Indonesian ambassador in Canberra, says Jakarta's relationship with Australia has been strengthened in recent years by growing trade, now worth around A$1.5bn (£667m) a year.

The increased trade, together with military co-operation, has done much to reduce tensions which had their roots in the confrontational policies of President Sukarno, who led Indonesia to independence from The Netherlands after World War Two.

Mr Siagian even felt able to refer to a series of Indonesian military visits to Canberra as an "invasion" in a recent conversation with Mr Hawke.

The Prime Minister, whose predecessors were kept awake by nightmares of invasion from the north, was sufficiently relaxed to share the joke. The exchange reflects Australia's perception of itself as a role-model for Asian countries struggling towards democracy, free speech and respect for human rights.

Nevertheless, there is a great deal of private nervousness in Canberra about Jakarta's likely response if growing public anger forces the government to react more strongly to the events in Dili.

So far, Mr Hawke has not considered cancelling a planned trip to Jakarta next year. But the massacre adds a further complication to an already volatile relationship.

It also puts a question mark over Senator Evans' recent claim that "there is every reason to believe that we are on the way to becoming the odd man in [in Asia], rather than the odd man out."

Foreign funds wary of Delhi reforms

By David Housego in New Delhi

INDIAN officials are revising downwards expectations of a significant increase in foreign investment as a result of the government's new liberalisation programme.

Their disappointment is in line with doubts being expressed by foreign industrialists in New Delhi for a series of investment conferences as to whether India's liberalisation programme is sufficiently radical to attract substantial fresh flows of foreign capital.

"If there is one recommendation to the [Indian] government I have to make, it is to privatise and to create free market conditions as soon as possible in a very large area," said Mr Jürgen Möllemann, the German economics minister and leader of a German delegation.

In an implicit criticism of Prime Minister Narasimha Rao's defence of cautious change to avoid labour unrest, Mr Möllemann said Germany had privatised 4,000 companies in a year with unemployment in eastern Germany rising to 15-20 per cent.

Most newly announced foreign investment projects have been proposals that were awaiting clearance when the new government came to power in June. The total new foreign equity participation since then is less than $50m (£28.5m).

According to recent government figures, 15 new projects involving a foreign equity capital of Rs 500m (£11.2m) have been licensed since the new government took power: 70 involving fresh foreign equity of Rs800m have received approval under new automatic approval procedures: and two (IBM and Ford) involving a foreign equity of Rs270m have been approved by the newly established foreign investment board which has been set up to clear large projects by multinationals.

The board is still considering six other proposals for joint ventures where the foreign partners include Coca Cola, General Electric and General Motors.

Asked at the World Economic Forum meeting in Delhi – where foreign participation was thin – whether he was satisfied with the level of foreign investment, Mr P.Chidambaran, the Minister of Commerce said he was "not unhappy". He added: "I can't say that this year we will get a very large amount."

He said that by the end of next month he expected 12-15 projects involving large groups which would climb to 25-30 by March. By he said that by then there would also be an additional 100 projects from medium-sized foreign groups.

Meanwhile, the government confirmed yesterday that it would allow foreign companies already established in India to raise their equity holding in joint ventures to 51 per cent from an existing ceiling of 40 per cent, in line with the recent deregulation of foreign investment.

However, companies increasing their equity holding will have to pay market prices for the additional shares. This is likely to deter most foreign groups from taking advantage of the move because they believe current share prices are at a speculative peak.

N Korea bank venture to use Indonesian expertise

By Angus Foster in Hong Kong and John Ridding in Seoul

A BIZARRE joint venture between an Indonesian businessman and a communist state-owned enterprise says it will set up the first international bank in North Korea.

The country is among the world's most reclusive and backward nations with a history of debt default.

The bank hopes to finance trade of North Korean natural resources which will be sold through a wholly-owned trading subsidiary. Rather optimistically, the bank will also be licensed to conduct a range of services from fund management to insurance.

The venture seems to have the full backing of North Korea's hardline leadership. Pyongyang is seeking to widen international trade relations to revive its stagnating economy and replace crumbling trade with the Soviet Union, its main economic partner.

Mr Oei Hong Leong, who controls Indonesia's Sinar Mas conglomerate, is using his small Hong Kong company Ruby Holdings to provide 51 per cent of the new bank's initial capital of $30m (£16.8m).

Mr Oei said the venture was part of a strategy to invest in "overseas markets with substantial growth potential."

The Hong Kong stock exchange is less impressed and may demand additional reporting requirements from Ruby. So far the company has mainly been involved in running Chinese restaurants.

NEWS IN BRIEF

Moi sacks minister after murder probe

KENYAN President Daniel arap Moi yesterday sacked Mr Nicholas Biwott, the energy minister, named by a British detective as a "prime suspect" in the murder 20 months ago of foreign minister Robert Ouko, Reuter reports from Nairobi.

State television said that Mr Biwott, a close aide of Mr Moi, had been sacked from the cabinet but gave no further details. Mr Moi's government, under pressure from pro-democracy campaigners at home and aid donors abroad, has been rocked in recent weeks by allegations of high-level corruption emerging from a judicial inquiry into Mr Ouko's murder.

Mogadishu gets medical aid

The Red Cross and the French aid organisation Médecins sans Frontières flew in emergency medical supplies to Mogadishu, capital of Somalia, yesterday for the first time since the latest round of fighting erupted between factions of the United Somali Congress that ousted President Siad Barre last January, Our Foreign Staff writes. Heavy shelling reverberated around the bombed-out city yesterday as troops loyal to General Mohamed Farah Aideed tightened their control, diplomats said.

Thai constitution altered

Controversial provisions in Thailand's draft contstitution were diluted yesterday as tens of thousands gathered to protest at what they said were military intentions to stay in power after elections next year, Peter Ungphakorn reports from Bangkok.

The assembly's amendments committee cut the proposed number of appointed senators from up to 360 – the same as the total of elected lower-house MPs – to 270. Also withdrawn was a clause to allow serving military and civil officials to join the cabinet without having to resign.

Japan's money supply slowdown

Japanese money supply grew by just 2.1 per cent in October, compared with that month last year – the lowest figure on record, Our Foreign Staff writes.

The decline reflects the severity of the squeeze on credit imposed over the last two years by the Bank of Japan to suppress inflation and drive speculative fever out of the markets. Money supply growth has fallen from a peak last year of 13.2 per cent.

Philippines risks losing $5.3bn deal

THE Philippines risks losing a $5.3bn deal to restructure its commercial bank debt unless it reaches agreement with the International Monetary Fund on an economic programme for 1992, the central bank governor said, Reuter reports from Manila.

Governor Jose Cuisia told Philippine financial executives that the IMF was withholding approval for the government's 1992 fiscal programme because of the failure of the country's senate to pass new tax measures.

The measures are needed to help the government meet revenue and budget deficit targets agreed with the IMF.

Mr Cuisia and Mr Jesus Estanislao, Finance Secretary, are meeting this week in Manila with an IMF review mission, under the terms of a $900m stand-by credit agreed with the Fund last February to help revive the Philippines' battered economy.

Mr Cuisia warned that failure to meet IMF targets could also endanger the proposed $5.3bn commercial debt restructuring package approved in principle last August. He said the package, which is still being discussed with the banks, could be delayed or might have to be completely renegotiated.

Chinese praise for Burma's Nobel laureate

By Yvonne Preston in Beijing

AN OFFICIAL Chinese newspaper has lavished praise on the winner of this year's Nobel peace prize, Ms Aung San Suu Kyi, who is held under house arrest by Burma's military leaders, now among Beijing's closest allies.

The report compares her with Mahatma Gandhi and says she is known in Burma as "the bright light in the dark night, the nation's hope". The description, published in the government-controlled Farmers' Daily, is likely to anger China's Communist leaders, especially given its implied criticism of Beijing.

Beijing's suppression of the pro-democracy movement in June 1989 matched the Burmese military's onslaught on a similar movement led by Ms Aung San Suu Kyi in Burma. Hundreds of students were killed in Rangoon when soldiers fired on pro-democracy demonstrators in August and September 1988.

Ms Aung San Suu Kyi has been detained since July 1989. Her party won an overwhelming victory in elections in May 1990, but this was nullified by the military junta ruling as the State Law and Order Restoration Council (SLORC).

The Farmers Daily article paints a portrait of her as a selfless, patriotic martyr. The account contrasted with the brief mention of the Nobel award in the Communist Party-controlled newspaper, People's Daily, which commented that the award of the peace prize was often a matter of controversy.

The paper's detailed report said that her present plight stemmed from her returning to Burma in 1988 to visit her sick mother when she became caught up in the anti-government student movement.

In the years since Burma's military government turned the army on the people, China and Burma have stepped up bilateral relations. Support from China is crucial for the survival of the isolated SLORC.

General Saw Maung, SLORC chairman, came on an official visit in August, his first trip abroad since coming to power.

The failed Moscow coup increased China's co-operation with Burma. The SLORC depends on China for military supplies, with planned and fulfilled Chinese weapons shipments to date reaching a total value of $1.4bn. While it is one of China's most significant arms markets, Burma's dependence on its northern neighbour extends beyond arms supplies and trade. The Burmese reportedly rely on China for diplomatic advice and for help in responding to criticism of human rights abuses.

Israel's Labour party goes down fighting — itself

Hugh Carnegy reports on attempts to rescue a political movement many fear to be in terminal decline

ISRAEL'S opposition Labour party, once the great pillar of political power in the country, opened a policy-making convention in Jerusalem yesterday embroiled in a bitter internal dispute over how to rescue the movement from what many fear may be terminal decline.

The ironies surrounding the convention are acute. It comes as Israel is embarking on a Middle East peace process in which the Arab world, the US, the Soviet Union, the European Community, and, according to opinion polls, a majority of the Israeli electorate, regard territorial concessions by Israel as a vital ingredient.

Labour has long espoused the "land for peace" formula; the governing Likud party and its right-wing allies reject it. Yet it is Labour which is fighting with itself over peace policy, not the government parties; and it is Labour which faces tumbling public support, while the right is gaining strength.

A key battleground in the next election, due in November 1992 at the latest, will be the votes of hundreds of thousands of new Soviet Jewish immigrants. With unemployment and economic hardship rife among them, the government should be vulnerable.

But Labour's socialist trappings are deeply antithetical to the vast majority of newcomers. So far, efforts by party reformists to shed its historical baggage, such as its close alliance with the powerful Histadrut trade union federation, have met with stiff resistance from traditionalists.

A recent opinion poll showed clearly how far Labour's confusing message has alienated voters. Taken just after the Madrid peace conference, the survey showed support for Labour sliding to 22 per cent from the 31.5 per cent it achieved in the 1988 general election. The Likud, meanwhile, which baldly states that Israel can have land, peace and free-market prosperity, had moved up to 37 per cent from 34 per cent.

Some Labour support has leaked to the three smaller left-wing parties, the Citizens Rights Movement, Shinui and Mapam. Nevertheless, when support for them and Labour is added together and matched against the total for Likud and its three far-right satellites, the picture remains the same. Right-wing support has advanced to 46.5 per cent from 42 per cent in 1988, while the left has slumped to 33.5 per cent from 40 per cent.

One move which this week's convention will make to try to break the spiral is to set in train a party-wide process for electing a leader some time early next year. This will almost certainly boil down to a battle between Mr Shimon Peres, the incumbent, and his longtime rival, Mr Yitzhak Rabin, a former prime minister and defence minister.

Rivals for party leadership: incumbent Shimon Peres (left) and Yitzhak Rabin

Mr Rabin, the only figure in Labour who evinces strong public support as a candidate for premier, is likely to unseat Mr Peres, who consistently polls dismally. But a group of young Labour leaders, dubbed the doves, is insisting that the party must also adopt radical policy reforms this week if it is to have any hope of recovering electorally. Not the least of Labour's dilemmas is that Mr Rabin is the champion of those who are opposing big changes.

The doves want Labour to adopt a more clear-cut peace policy, embracing acceptance of Palestinian self-determination in the occupied West Bank and Gaza Strip, dropping objections to negotiating with the Palestine Liberation Organisation and accepting territorial concessions to Syria in the Golan Heights.

To date, while committed in broad terms to some trading of land for peace, the party has opposed Palestinian independence and relinquishing control of the Golan.

The doves also want to distance Labour from the Histadrut, drop socialist emblems such as the red flag (the singing of the Internationale has already been dropped from this week's convention) and commit the party to more liberal economic policies.

A compromise is likely, leaving Labour not far from its present positions – and having only further confused voters in the process about what it really stands for. In that case, a few MPs may defect to the smaller parties who are already committed to putting up a common list of candidates at the next election.

This electoral alliance, under Israel's proportional representation system, will probably strengthen its representation in the Knesset from 10 seats at present (out of 120) to at least 14 or 15, making it the third largest party after Likud and Labour. But its gains would almost certainly be at Labour's expense, not the right's.

IMF blessing is highpoint of Menem's US trip

By **John Barham** in Buenos Aires

ARGENTINA'S President Carlos Menem arrives back in Buenos Aires today after a successful seven-day visit to the US.

The high point of the visit came on Monday, when Mr Michel Camdessus, the International Monetary Fund managing director, said Argentina should have a new medium-term IMF loan in place by March 1992.

In a glowing endorsement of Mr Menem's policies, Mr Camdessus said: "Inflation has declined sharply, confidence is being restored and economic activity has picked up." He said Argentina should be able to convert its present $1.04bn one-year standby loan into a three-year extended fund facility loan (EFF) by the end of next March, adding that this would help "the re-establishment of Argentina's relations with the international financial community".

An EFF would enable Argentina to begin restructuring its $61bn foreign debt, the last important obstacle to economic stability after initiating sweeping free-market reforms in 1989. Mr Menem said negotiations with private banks, which at the end of 1990 were owed $35bn, are to begin in January.

"The IMF was leaned on by the Americans to come up with something for Menem to show for his trip to the US," one diplomat said. However, he conceded that Mr Camdessus has confirmed for the first time that Argentina now stands a good chance of drawing down the first tranche of an expected $3bn EFF loan early in 1992.

Although fund officials are encouraged by Argentina's economic reforms, they are critical of Mr Domingo Cavallo, the economy minister, for his failure to meet tax revenue targets set in last July's standby agreement. The EFF is conditional on full compliance with the stand-by loan conditions.

Argentina is expected to overshoot its $890m primary budget surplus target for the fourth quarter, but thanks to larger-than-expected privatisation receipts, rather than taxes. The IMF insists that Argentina covers its current spending with current revenues rather than with capital receipts.

Forty-three killed in Colombian conflict

AT LEAST 43 people have died in a flare-up of Colombia's guerrilla war scarcely a week after the end of peace talks which had offered hope of a breakthrough in the decades-old conflict, Reuter reports from Bogotá.

Twenty-seven guerrillas, 12 policemen and four soldiers died in the last two days in rebel ambushes and army operations across the country, officials reported yesterday

The Bogotá daily El Espectador said that Monday had been one of the bloodiest days of combat between security forces and left-wing guerrillas who have been fighting the government since the 1950s.

Each side blamed the other for the upsurge in violence, which began a week after the government and three rebel groups ended five months of peace talks in neighbouring Venezuela without agreement.

The increase in violence could jeopardise an agreement to resume the peace talks by February 1 next year.

In the worst attack, rebels of the Marxist Colombian Revolutionary Armed Forces ambushed a police patrol returning from an anti-drugs operation in the south-western province of Putumayo, killing 10 policemen.

Home again: Haitian boat people in Port-au-Prince after returning from the US on board a Coast Guard cutter. They were handed over to the Red Cross

White House attacked over Haitian refugees

THE US administration has run into criticism from Congress over its efforts to deter Haitian refugees from seeking asylum in the US by sending them back to their country, writes **George Graham in Washington.**

Led by senators and congressmen from Florida, where most refugees have tried to land, both Republicans and Democrats have attacked the repatriation plan as inhumane, discriminatory and morally wrong. Republican Senator Connie Mack said US policy allowed refugees from Cuba to enter and become US citizens after one year, and complained that it was unthinkable not to apply the same treatment to Haitians.

"This is the worst possible scenario. It is an outrage to send innocent people back to a country led by a violent illegal military dictatorship," he said.

The US has picked up nearly 1,800 Haitians who have fled their country since a military coup overthrew President Jean-Bertrand Aristide on September 30. These are mostly being held on Coast Guard vessels or at the US naval base at Guantanamo, in Cuba.

Only around 50 have been accepted for political asylum. The State Department said it did not believe the others would be persecuted on their return to Haiti. The flood of Haitian boat people has apparently increased in recent days because of growing economic difficulties faced by the island as a result of the embargo imposed by the US and other members of the Organisation of American States.

The US had tried to find Caribbean countries which would accept Haitian refugees in temporary safe havens. On Monday, however, the State Department said the safe haven plan would not be sufficient to deal with the problem, and that the Coast Guard had therefore been directed to repatriate most of the Haitians.

The State Department said it hoped the return of boat people to Haiti would deter others from risking their lives by taking to the sea in unseaworthy boats. But congressional aides said the action appeared to be prompted mostly by "bureaucratic convenience".

El Salvador looks to peace built on hatred and distrust

Damian Fraser on critical talks

WHILE El Salvador's brutal and bloody civil war appears to be drawing to a close after 12 years, few people in the tiny country have any illusions about the difficulties ahead.

Negotiations between the government and its left-wing guerrilla opponents, the FMLN, reached a critical stage last week when the latter unilaterally announced an end to offensive action. One of the five guerrilla *comandantes*, Shafik Handel, all but declared that the war was over.

President Alfredo Cristiani was more cautious, but welcomed the announcement and hinted that government forces would soon stop their offensive action.

Mr Alvaro de Soto, the chief UN mediator, said that a formal peace treaty could well be ready before the end of the year. According to the provisional agreement reached in New York in September, the treaty will, among other things:

- give the rebels land which they control;
- require that the army be purged of its worst human-rights violators and reduced in size;
- require that the guerrillas be re-incorporated into society and form a part (still unspecified) of a new national police force.

"By themselves, these are sufficient to generate a great deal of instability," says Dr Fidel Chavez Mena, leader of the centrist opposition Christian Democratic party.

However, Salvadorean right-wingers still balk at such demands, and could act to prevent them being implemented.

The criteria under which the FMLN would enter the police force is proving the most difficult part of the negotiations under way in Mexico City.

A leading guerrilla *comandante*, Germán Serrano, declared only last weekend that the guerrillas would "certainly not" lay down their weapons after peace, and that the FMLN would be converted into the national police force.

On the other hand, Mr Armando Calderón Sol, leader of the ruling Arena party and the man whom many consider as a successor to President Cristiani, said last week there was "absolutely no right for the FMLN to enter the high ranks of the police force". He was also adamant that there should be no purge of the army. "We have to have an amnesty, a forgetting of actions," he said.

Some 75,000 Salvadoreans have been killed in the war, tens of thousands by right-wing death squads linked to the army.

The armed forces, the main beneficiaries of the war thanks to more than $1bn (£500m) in US military aid over the years, may well have the power to torpedo any agreement.

Moreover, the murder of six Jesuit priests and two women in November 1989, for which an army colonel was recently convicted, indicates the depths to which the army is willing to descend to protect its power.

New circumstancial evidence, revealed in a US Congressional report at the weekend, has linked the murders to senior members of El Salvador's defence establishment.

"Cristiani is not in a position to go against the army," says one European diplomat. "The party will side with the army out of fear of handing over the country to the FMLN police".

The two sides also have yet to reach agreement on the mechanisms by which peasants in rebel-controlled areas would be given ownership of land they now till; nor have the peace talks touched on economic and social reforms.

Even so, despite bitter opposition, negotiations have made progress, due in part to rising international pressure.

The US, bored with financing a conflict that now serves little military purpose, has started to press the government. After some doubts, it has backed the UN, whose skilful mediation has helped to bring the sides so close. The rebels have in turn been pressed by Latin American friends.

Inside El Salvador, the nature of the conflict has also changed. The FMLN has radically altered its stance, coming to accept that the only path to power is through elections.

The accommodation is due not so much to military weakness but to the continued insurgency losing political support. The FMLN is betting that a broad alliance of left-wing forces can win the 1994 presidential election.

On the right, Mr Cristiani has helped the negotiations by being been much more dogged than many imagined possible. He has received crucial support from Major Roberto D'Abuisson, the extreme right-wing founder of Arena who, in the early 1980s, was repeatedly linked to murders by death squads.

Maj D'Abuisson, who is dying of cancer, has become more conciliatory, ensuring Arena support for the president's efforts.

However, if the coalition unravels on the major's death, then support for peace could slip away. Likewise, the prospect of a left-wing victory in the presidential election could lead to resumed political violence.

Besides, hatred and distrust will remain. The guerrilla strongholds, which suffered the brunt of the death squads, ae unlikely ever to embrace a Christian Democratic or Arena government.

The El Salvador government has put two of the country's largest banks up for sale, in the country's first privatisation since the right-wing government of President Cristiani came to power in June 1989, writes Damian Fraser.

Banco Agricola Comercial de El Salvador and Banco Cuscatlán went on sale last Monday. By the end of the first week, 10m colones (£1.2m) of shares had been sold. Mr Cristiani described this as "above expectations".

The two banks to be sold are valued at $22m (£12.4m) and $26m (£14.6m) respectively. Small investors – those with less than $12,000 to spend in the privatisation – have been given first rights on the equity. Larger investors will be able to bid on shares not taken up from March 10 next year.

The widespread corruption that occurred when the banks were in state hands has been used to justify the banks' privatisation.

AMERICAN NEWS

Peru opens up economy with deluge of laws

By Sally Bowen in Lima

A 10-DAY deluge of 126 laws, more than half of them intended to stimulate private investment, has brought about the most radical reorientation in the Peruvian state for more than 20 years.

If a country can decree its way into modern times, then Peru has gone some way to doing so economically.

State monopolies have been eliminated, private individuals and companies may now compete directly with the state in such varied areas as telecommunications, the generation and transmission of electricity, and the provision of postal and railway services.

They may apply for concessions to administer state-owned hospitals, airports and even schools.

There is what ministers call an "aggressive plan" to sell off public companies, which have drained the Peruvian exchequer of up to $2.5bn annually. Mining and oil companies Centromin, Hierroperu and Petroperu, plus the state airline Aeroperu, top the privatisation list.

"There is no longer any such thing as a strategic enterprise," said the economy minister Carlos Bolona.

He expects privatisation both to increase efficiency and ease the government's cash flow crisis which has held public sector salaries below $40 a month for all this year. "But it has to be quick – we can't afford the luxury of privatising over six or seven years, like Chile or England," said Mr Bolona.

State subsidies, paternalism and systems of special exonerations which Peru has relied on for more than 20 years have demonstrably failed to work.

"I am a pragmatist and I look for ideas which do work. The world is seeking efficiency and market forces can bring us that," Mr Bolona said.

More specifically, Peru is seeking to emulate the South-East Asian "tigers".

While legislative decrees poured forth at home, President Alberto Fujimori has been visiting Thailand, Singapore, Malaysia and Hong Kong, addressing business organisations on opportunities for immediate investment in Peru.

As part of the new emphasis on economic diplomacy, embassies are to be established in Thailand, Singapore and Malaysia by early 1992 to strengthen trade links.

During the presidential visit, a co-operation treaty was signed with Malaysia for development of Peru's potentially huge palm oil industry (also a viable substitute crop in the coca-growing areas of the Peruvian jungle).

In Thailand, talks centred on joint ventures to exploit plentiful Peruvian fishing stocks; while Singapore investors are thought to be attracted principally by Peru's mining and textile potential.

Through links such as these, Peru hopes to increase substantially last year's paltry $20m in foreign investment. The government admits, however, that settlement of three outstanding disputes with transnational companies already operating in Peru – Southern Peru Copper Corporation, Occidental Petroleum and Belco – will be a prerequisite for attracting fresh short-term foreign investment from abroad.

The government is playing down the continuing problem of terrorism, however.

According to Mr Alfonso de los Heros, the newly appointed prime minister: "Security is not the major concern for foreign investors.

"Much more important is an adequate legal framework. If these decrees survive, then investment, both national and foreign, will come," he said.

Canada to end curbs on foreign control in energy

The government drive to keep the oil and gas sectors in local hands has failed, writes Bernard Simon

A CORNERSTONE of Canada's industrial policy in the late 1970s and early 1980s was the creation of a strong domestic energy industry. Through a combination of tax incentives, foreign investment curbs and nationalisation, Ottawa hoped to spawn a collection of healthy locally controlled oil and gas producers which would put Canada's interests above those of some faraway multinational.

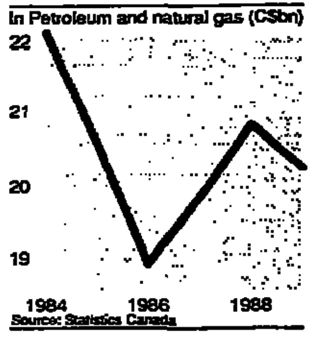
The abject failure of that policy will be underlined soon, with the expected abolition of most remaining restrictions on foreign investment in the oil and gas industry.

Far from discouraging foreign participation, the hard-pressed oil and gas industry now wants to open the door as wide as possible to outside capital. In particular, it wants to broaden the range of potential buyers for the large number of exploration and producing properties up for sale.

"It's been a buyer's market, so anything that encourages more buyers has to be to the benefit of sellers," says Mr Frank Sayer, president of Sayer Securities of Calgary. The Alberta-based oil industry has still not fully recovered from the nationalistic policies of a decade ago, when Ottawa encouraged Canadian-owned companies to run up big debts to pay for acquisitions and for dubious exploration projects in the remote Arctic.

Foreign investment in Canada

In Petroleum and natural gas (C$bn)



Source: Statistics Canada

The recent spate of sales is as much a legacy of the misguided policies of the early 1980s as a response to present weak oil and natural gas markets. The biggest sellers have included Petro-Canada, which was formed in 1975 to give Ottawa a "window" on the energy industry, and Amoco Canada, which in 1987 bought Dome Petroleum, the most heavily indebted of all the Canadian companies.

On the other hand, foreign interest in buying Canadian energy assets has seldom been higher. Mitsubishi of Japan is in the process of buying a 5 per cent interest in the Syncrude tar-sands project in Alberta from Petro-Canada. Morrison Petroleums, a junior company, raised C$130m ($99m) last year from a group of US pension funds and other institutions for investments in gas processing plants and pipelines.

Ironically, one of the companies now sniffing around for acquisitions is Petrofina, the Belgian group which had a sizeable operation in Canada before it was bought out by the government in the early 1980s and folded into Petro-Canada.

Current policy prohibits foreign takeovers of healthy Canadian oil and gas companies. Even in the case of those in financial difficulty or where one foreign shareholder is selling to another, buyers are required to commit themselves to future investment and greater Canadian participation.

All foreign takeovers of energy companies with book values of more than C$5m must still be reviewed by Investment Canada, the government's investment watchdog. The oil and gas sector was excluded from the relaxation of review thresholds for US investors which were included in the 1989 US-Canada free-trade agreement.

Production licences for wells in the Arctic or off the East Coast require at least 50 per cent Canadian participation. Mr Hans Maciej, vice-president of the Canadian Petroleum Association, says these rules have kept many investors away. Others have had to operate in a straitjacket. For instance, UK-based Lasmo is allowed to own 54 per cent of the shares of its Canadian subsidiary, but has only one-third of the votes and nominates only two out of 10 directors.

"They do chafe a little bit," says Mr Verne Johnson, president of Lasmo Canada.

The growing strains on the policy are illustrated by the case of Calgary-based Husky Oil, one of the country's biggest independent producers. Ottawa refused to allow Mr Li Kashing, the Hong Kong magnate, to buy outright control of Husky in 1986. Mr Li's direct shareholding was limited to 43 per cent, with another 9 per cent owned by his son (who is a Canadian citizen) and 5 per cent by Canadian Imperial Bank of Commerce.

Husky is now in the red, and only Mr Li appears to be able and willing to provide the financial support it badly needs. Husky's other large shareholder, debt-burdened Nova Corp of Alberta, has declined to invest more equity in the company and has put its 43 per cent stake on the block.

Mr Li recently made an offer for Nova's shares. There is little doubt that this time Ottawa will have few qualms about allowing him to buy full control. Sayer Securities estimates that a total of at least C$4.1bn of energy assets are up for sale: almost half the 136 companies it polled said they have properties on the block.

Toronto's Reichmann brothers, who are seeking to raise cash to cushion them against the slump in their real-estate business, are looking for buyers for their controlling stakes in Home Oil and Interprovincial Pipe Line. Another Reichmann-controlled company, Gulf Canada Resources, is keen to sell some of its interests. Petro-Canada said recently that it is seeking offers for parts of its holdings off the coasts of Newfoundland and Nova Scotia.

The government now clearly appreciates that these companies have the best chance of getting a fair price and keeping themselves on an even keel if foreign bidders are allowed to play by the same rules as local ones.

A senior energy department official says that recommendations on easing the present curbs will be submitted to the cabinet "fairly soon".

Cuba cracks down on its black marketeers

CUBA'S communist authorities are cracking down on black marketeers who operate on Havana's Malecon seafront, holding swift, "exemplary" trials and sentencing offenders to jail for up to one year, Reuter reports from Havana.

The Communist Party newspaper, Granma, said in a report yesterday that 12 black marketeers received prison sentences of between four months and one year last Saturday after being tried, "a few metres from the scene of their crimes", almost immediately after their arrest.

The trials, described by Granma as "very summary", were held during the night in an improvised courtroom set up in a canteen for construction workers who are building a five-star hotel, the Cohiba, on the seafront. Granma described the seafront black market as "a sordid coming and going of individuals who propose the illegal sale at inflated prices of items which are in short supply in our market: cigarettes, rum, food products, soaps".

Most of the offenders sentenced were charged under Article 230 of Cuba's penal code which penalises hoarding and speculation. Their goods were confiscated and they were banned from the seafront for an unspecified period.

As a result of disruptions to vital supplies from the Soviet Union, many of the island's more than 10m people seek to supplement their tight monthly food ration by buying on the black market, where most goods are available but at inflationary prices.

Trinidad calls early election

By Canute James in Kingston

MR Arthur Robinson, the prime minister of Trinidad and Tobago, has called general elections for December 16, two months before they are constitutionally due.

Mr Robinson was apparently encouraged by opinion polls which indicated that his ruling National Alliance for Reconstruction, which won a handsome victory in elections in 1987, was ahead in popular support for the first time in the past two years.

Elections are also scheduled for the same day in neighbouring Guyana, but there is a possibility the poll will be put back because of a row over errors in the voters roll.

Panama envoy tells of Noriega-Medellín link

By Henry Hamman in Miami

ALLEGATIONS by a Panamanian diplomat turned drug smuggler and money launderer that General Manuel Antonio Noriega received $10m in pay-offs has tightened the link between the former Panamanian leader and the Medellín cocaine cartel.

The former diplomat, Mr Ricardo Belonick, made the claim in detailed testimony on Monday at Gen Noriega's drug-trafficking trial, now in its third month in Miami Federal District Court.

According to Mr Belonick, who has admitted purchasing a Panamanian freight airline, Inair, on behalf of the Medellín cartel, Gen Noriega was paid $500,000 for each of 19 drug flights from Panama to the US. Mr Belonick said the general also received an extra $500,000 for helping to retrieve another drug cargo which had been seized mistakenly by Panamanian customs agents.

Noriega: now in the third month of his drugs trial

However, under cross-examination, Mr Belonick acknowledged he had never actually seen any of the money pass into Gen Noriega's hands.

Mr Belonick, 44, is a lawyer and served as Panama's ambassador at large in Washington. But, according to his own testimony, in the early 1980s he established himself as a money launderer for the Medellín cartel.

At first, he said, he collected suitcases of cash in Miami and flew with the money to Panama.

But he and his Colombian clients eventually decided that owning their own airline would be a better method of moving the volume.

Starting in November 1982, Mr Belonick said, he began flying drug cash on Inair aircraft. Eventually, the airline was carrying $60m a week in drug money for deposit in Panamanian banks.

On arrival in Panama, Mr Belonick said, officers of the Panama Defence Forces intelligence branch, of which the then Colonel Noriega was the chief, met the aircraft.

The first shipment of cocaine from Panama on Inair took place in December 1982, Mr Belonick said, and the flights continued until 1984, when cocaine was discovered in the Inair cargo warehouse at Miami International Airport. The airline ceased operation thereafter. All told, the flights brought in 20,000 kg of cocaine into the US.

The US is allowing a key prosecution witness to keep his $3.9m drug profits

Mr Belonick also said that he and his cartel partners considered shipping cocaine to the US via Nicaragua.

He said cartel leaders told him that they had reached an understanding with the top leadership of the then Sandinista regime to allow the shipments.

But those flights apparently never took place.

Mr Belonick's testimony made clear the large sums which could be earned from the drug trade.

Under cross examination, he acknowledged that he was paid $22m for his money laundering efforts and an additional $25m for the drug flights.

But he said his net worth today was only $3.9m, the rest of the money having been lost in poor business ventures.

Mr Belonick, like many other witnesses against Gen Noriega, gave his testimony only after reaching a plea bargain with US government prosecutors.

The bargain was struck only after 10 negotiating sessions in Panama, including face-to-face discussions with both the lead prosecutors in the case.

Under the agreement, the maximum sentence Mr Belonick could face for his drug activities was reduced from 60 years imprisonment to 10 years, with a government promise to intervene on his behalf to seek an even lower sentence.

In addition, Mr Belonick has been granted immunity from further prosecution and a pledge that the US will seek to block foreign prosecutions.

Mr Belonick, his wife and children and their maid have also been promised government support if they chose to emigrate to the US, and places in the federal witness protection programme if they wish. He is not required to forfeit any of his remaining assets despite acknowledgement that they were financed with drug money.

Mr Belonick's testimony has revitalised interest in Gen Noriega's trial, which had been languishing during the government's presentation of a succession of minor witnesses.

During some recent days of proceeedings, attendance at the trial has dwindled to the point that the courtroom has been almost empty.

The government is expected to call as one of its next witnesses Mr Carlos Lehder Rivas, the highest ranking cartel leader in US custody, despite Mr Lehder's acknowledgement that he has never met Gen Noriega.

But in the publicity sweepstakes, the defence team's announced intention to bring in Colonel Oliver North to testify, and Col North's apparent willingness to appear, means that the battle of courtroom one-upmanship is far from over.

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Support for MacSharry in farm talks

By David Gardner in Brussels

EUROPEAN Community farm ministers have given Mr Ray MacSharry, the EC agriculture commissioner, a clear endorsement for the negotiating stance he is now taking with the US in an attempt to unblock the Uruguay Round impasse over farm subsidies.

This "united front", as the Dutch presidency of the EC has described it, greatly strengthens Mr MacSharry's hand before a further round of talks he is due to hold with Mr Edward Madigan, the US agriculture secretary, which may come this weekend.

At a closed dinner here on Monday night, ministers took the view that the US was moving closer to the EC's position, which it had rejected last December at the failed summit in the Uruguay Round.

There was broad acceptance for the compromise, which Mr MacSharry and Mr Madigan are exploring, of a reduction in export subsidies of 35 per cent over five years.

The US had wanted a 90 per cent cut over 10 years, against the EC's offer of a 30 per cent cut over 10 years, counting from 1986 so as to include credit for cuts already made.

Ministers nevertheless insisted that:

- The US would have to meet the EC's "rebalancing" concerns, allowing the Community to increase protection against imports of cheap cereals substitutes in exchange for the EC cut in cereals exports. The Commission is seeking to resolve this by negotiating a freeze on imports at current levels.
- US "deficiency payments" – giving farmers the difference between domestic and world prices – should not be allowed into the Gatt "green box" for production-neutral subsidies, since they distort trade.

The Commission is less likely to insist on this, because of the way it has constructed its own farm reform plan. It wants the direct payments which it plans for farmers in compensation for big price cuts under the reform to be put mostly in the green box".

Only then can it deliver the internal reform which will make possible an improved offer regarding the Gatt.

- The US agrees not to use its trade legislation to act unilaterally against the EC, instead pledging to settle any disputes multilaterally through the Gatt.

The Commission is equally adamant on this "peace clause", and sees it as a major sticking point for the US.

- There shall be no quantitative restrictions on cereals exports, as the US is seeking.

If the US agrees to Mr MacSharry's compromise – this being a mixture of volume restraint and subsidy cuts, provided that the US accepts a reasonable reference year to calculate the base from which the cuts must be made – the EC Council is likely to go along with it.

"None of the ministers pushed [Mr MacSharry] any further than he wanted to go," a senior Commission official said.

Back into the thicket of subsidies

William Dullforce analyses the issues as EC and US farm negotiators resume their talks today

TOP FARM negotiators from the European Community and the US will resume in Geneva today their efforts to fashion a firm understanding on how to cut agricultural subsidies.

The five-year-old Uruguay Round trade talks, which need a breakthrough on agriculture to succeed, are again entering a critical two-to-three-day passage.

No substance has yet been given to the hopes raised at the EC-US summit in The Hague on November 9, at which President George Bush scaled down US targets for reductions in farm subsidies. Mr Ray MacSharry, EC agriculture commissioner, and Mr Edward Madigan, US agriculture secretary, were unable to fill in the detail at subsequent talks in Rome.

Since the Hague meeting, EC officials have been signalling that a farm deal with the US is within reach. Mr Jacques Delors, president of the EC Commission, said at the weekend that an accord could be struck by the end of the week.

In private, US officials are much more cautious in forecasting the outcome of this week's meeting of Mr Richard Crowder, US agriculture under-secretary, and Mr Guy Legras, EC director-general for agriculture. The EC "has not yet demonstrated the across-the-board flexibility need to close the gaps," one official said.

Both sides agree that Mr Bush's intervention broke the log-jam over agriculture that has thwarted the international trade talks for years.

The return of the key negotiators to Geneva is seen as a good sign. But EC and US officials read the import of the Hague summit differently.

The president moved the US away from its demand for cuts of 90 per cent in export subsidies and 75 per cent in border protection and domestic supports to farmers over 10 years.

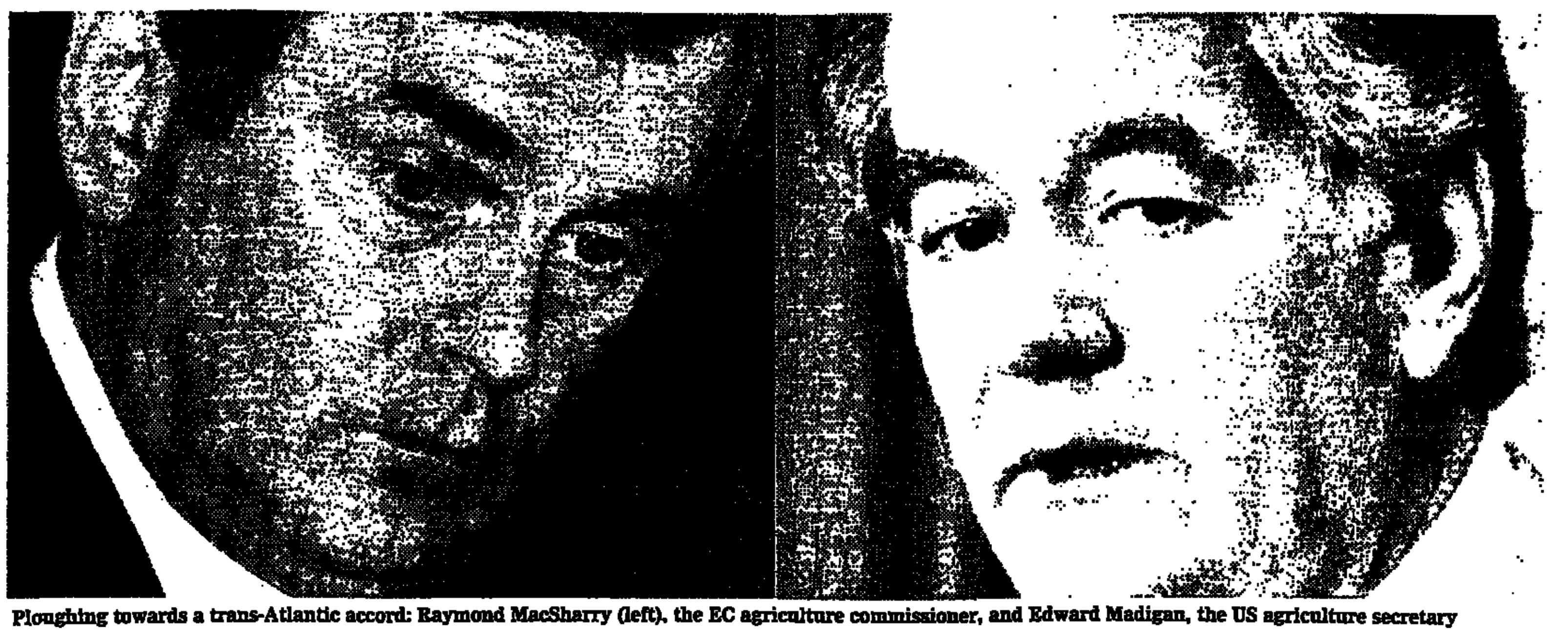
It was agreed to talk of 35 and 30 per cent reductions over five years in the three areas, but the impact of the percentages in real terms on output and trade depends on the other factors built into an agreement. On these factors, there are at least a dozen points at which the negotiators diverge.

US officials claim that, under Brussels' interpretation of how to effect a 35 per cent cut in subsidies, the EC's annual export of subsidised cereals would be some 6m tonnes larger at the end of five years than under the US interpretation. The US target is to cut EC subsidised cereals exports to 10m tonnes, which would be equivalent to a reduction of more than half from the level the EC is expected to reach this year.

Factors affecting the outcome are the choice of the base period from which calculations are made, the date for implementation and whether the cuts should be applied to budgetary allocations or to export tonnages. The US sticks to a 1986-88 base period; the EC, whose subsidies rose sharply from that period, originally wanted a 1988-91 base but has proposed a compromise.

Another point of contention is Brussels' demand that it be allowed to run down existing surplus stocks before the reductions are counted – a demand that would particularly affect beef, in which the EC has built massive stocks.

In domestic farm supports, disagreement stems from the "green box", the measures which would be permitted because they do not distort trade. The US complains that the Community proposes to put into the box all the compensatory payments it would make to farmers under the MacSharry plan to reform the common agricultural policy.



Ploughing towards a trans-Atlantic accord: Raymond MacSharry (left), the EC agriculture commissioner, and Edward Madigan, the US agriculture secretary

GATT

Washington says it would subject its own deficiency payments to reductions, if they were proved to distort trade, but would expect the EC to do the same for the comparable compensatory payments.

In dismantling border protection, Washington's call for full international tariffication – the conversion of all import barriers into tariffs and their subsequent reduction – poses problems. Differences persist over how to calculate the tariff equivalents, the formula for reducing them, how to ensure minimum market access and, most markedly, over the "safeguard" mechanisms which countries could apply to dampen the effect of unexpected surges in imports.

EC farm ministers are again insisting on the right to "rebalance" or to impose tariffs on imports of animal feedstuffs and oilseeds which now enter the Community duty-free in return for concessions in other areas. For the US, rebalancing is out of question.

Trade officials say it would be possible to unravel this bilateral tangle, if the political will voiced at The Hague is maintained. But an EC-US accord would be only a first, albeit crucial, step. The EC-US talks have moved to Geneva this week so that they can be fused with the non-stop negotiating in all areas of the Round launched by Mr Arthur Dunkel, Gatt director-general, in an attempt to complete the trade talks.

The Uruguay Round remains on a knife-edge. If, over the next two days, the EC and US negotiators cannot resolve their differences over farm reform, there will have to be a time-consuming referral to ministers or even heads of government. On the other hand, a definitive unblocking of the EC-US dispute over farm subsidies would be a shot in the arm for all the other negotiations and open a reasonable prospect of meeting the year-end deadline for drafting the final texts of a series of new international trade agreements.

Congress fears unacceptable deal

By Nancy Dunne in Washington

CONCERN is growing in the US Congress that the State Department will put pressure on American trade negotiators in the Uruguay Round to secure a final deal that Congress will not accept.

"It won't work," said Mr George Weise, staff director of the House of Representatives sub-committee on trade. Any final deal must attract broad support from the business lobby to counteract the tendency to protectionism in economic hard times.

At a briefing on the Round yesterday, Mr Sam Gibbons, chairman of the sub-committee said a Congressional vote on Uruguay Round package is likely early next summer. "It'd help us – I hope the economy is better then than it is now," he said. "When members are very pessimistic, they tend to be more protectionist."

He said the North American Free Trade Agreement package could be introduced after the 1992 presidential election and voted on early in 1993. This notion fits that of the Administration; there is no appetite to fight the controversial battle before the election, particularly if the economy fails to improve and jobs continue a matter of concern.

There will be attempts to attach to a Uruguay Round package an extension of the Super 301 legislation which, with its retaliatiory threat, calls for managed trade. This contradicts European calls for the US to agree not to use unilateral action in trade disputes.

HK lead for Gammon

By David Dodwell, World Trade Editor

GAMMON Construction, the Hong Kong-based group jointly owned by Trafalgar House of the UK and Jardine Matheson in Hong Kong, is to lead a consortium building the territory's HK$2.6bn (£190m) newest port development, Container Terminal Number Eight.

The terminal, with four berths, will raise Hong Kong's annual container handling capacity by 1.6m twenty-foot equivalent units (TEUs) when completed in 1995.

In 1990, Hong Kong was the world's second busiest container port, handling 5.1m TEUs, behind Singapore, with 5.22m.

Terminal Eight, unusually, will be operated jointly by Modern Terminals and COSCO HIT Terminals (Hong Kong International Terminals, a subsidiary of China's nationalised shipping group and Hutchison International Terminals (HIT).

Alongside Gammon, the members of the consortium building Terminal Eight will be Nishimatsu Construction of Japan, locally-based China Harbours Engineering, Jan de Nul of Belgium, and Ballast Nedam of Holland.

- Foreign funding for part of the £600m first phase of the Lesotho Highlands Water project was agreed in London yesterday, with the ECGD, Britain's official export credit insurer, backing a £50m loan.

The loan, from Hill Samuel Bank, will support Balfour Beatty, Kier International and Sterling International Civil Engineering, which are among members of two international consortia awarded contracts.

Bulgaria to accelerate privatisation

By Judy Dempsey

BULGARIA'S new non-communist government will speed up privatisation, reform the banking system, and redefine property rights with the aim of attracting foreign investment.

However, an agreement on its debt with the London Club of commercial bankers is seen as crucial in giving western companies incentives to invest, as well as providing Bulgaria with credits to modernise the industrial sector and infrastructure.

These were the main conclusions yesterday from a conference on Bulgaria organised in London by the Confederation of British Industry.

● FT Conference on the Petrochemical Industry in the 1990s

Prospect of 'big mergers'

By Paul Abrahams

PETROCHEMICAL "mega-mergers" could be in prospect, given the dire state of the industry. A series of strategic mergers and alliances is becoming increasingly likely as a way to overcome the sector's imbalance of supply and demand, according to Mr Andrew Butler, president of the European division of Dow, the US chemicals group.

Over the last 12 months, the sector has entered a more painful phase of the business cycle, with current margins barely covering interest costs, let alone generating any return on equity capital, Mr Butler told the Financial Times petrochemical conference in London yesterday.

The state of the industry was now disastrous, said Mr Georges Marzloff, senior vice-president of Neste Chemicals International, the Finnish group. He said the crisis was structural and therefore long lasting. It had been caused by a fall in demand, particularly for plastics, fluctuations in feedstock prices, and overinvestment during the late 1980s.

The combined capital expenditure on chemicals activities of Shell, Exxon, BP, Arco and Mobil in 1990 was $9bn, according to Mr Doug Campbell, the deputy chief executive of BP Chemicals.

West European ethylene production has increased from 14m tonnes in 1986 to 17.5m tonnes in 1991, said Mr Marzloff. This growth was faster than demand and had been exacerbated by increased production in the Far East. He estimated that there is an excess in ethylene capacity of about 1.3m tonnes this year, which would increase to 2m tonnes next year.

Some 16 crackers are under construction worldwide and at least 20 under consideration, adding as much as 12m tonnes of capacity by 1995, warned Mr John Akitt, president of basic chemicals at Exxon.

Europe remains the highest cost region in the developed world for the production of ethylene, warned Mr David Glass, director at the consultants Chem Systems. He said Europe was neither equipped to exploit the cheapest available feedstocks nor compete on equal terms when using its main feedstock naphtha.

Among the solutions proposed by speakers to the industry's problems were:

- Reduce the operation of crackers in line with demand, either by extending maintenance shutdowns, mothballing plants or even closing them.
- Integrate crackers with downstream units. This, according to Mr Akitt at Exxon, could reduce costs by as much as $50m a year.
- Restructure the industry. More co-operation agreements, alliances, plant operating agreements and share investments are needed, as well as the cancellation of programmes to expand capacity.

The economies of scale remained clear, said Mr Campbell at BP. But the days when it was possible for a single company to build world-scale facilities on its own were gone. Joint-ventures of some kind were clearly the answer.

It was clear there was still too many companies in some sectors, said Mr Campbell. He pointed out that, in oil, the top 15 companies account for 60 per cent of the industry's turnover, while in chemicals the top 15 represent only 25 per cent.

In the meantime, Mr Campbell said he did not expect the effect of an economic recovery – if it had started – to work through to the petrochemical industry for at least a year and possibly not until 1993. An upturn for the European sector was unlikely to be export-led, given the increased capacity in the Far East.

UK NEWS

Increasing oil output underpins growth in economy

By Rachel Johnson, Economics Staff

HIGHER OIL production caused the output of the UK economy to grow in the third quarter of the year, according to data which the government welcomed as consistent with forecasts of a modest second-half recovery.

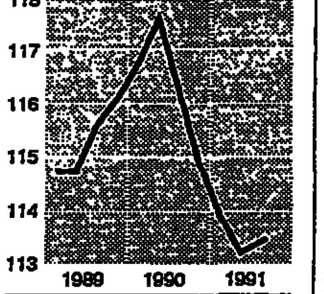
Third-quarter gross domestic product increased by 0.3 per cent over the second quarter after four successive quarterly falls, the Central Statistical Office said.

But City expectations were for a 0.5 per cent rise between quarters, and the data cast doubts on the government's forecast that GDP would rise 0.6 per cent between the first and second halves of the year.

A sectoral breakdown of the data showed that the output of

UK GDP output

Constant factor cost (seasonally adjusted, 1985=100)



both the services and manufacturing sectors was flat between the second and third quarters.

Within services, the output of hotels, distribution and catering rose ½ per cent, while the production industries' output rose 1 per cent.

The only substantial rise was in the energy sector, where output rose 4 per cent following the resumption of full North Sea oil production.

Stripping out energy and gas extraction, the data showed a decline of 0.3 per cent, revealing – contrary to government clams of recovery – that the recession continued in the non-oil economy in the third quarter.

Mr Norman Lamont, the chancellor, released a statement welcoming the rise in output but acknowledging that "clearly, some sectors of the economy are coming out of recession more quickly than others".

The Confederation of British Industry said that outside the oil sector, the figures showed output flattening out at best. Mr John Smith, Labour's treasury spokesman, said the figures showed "that the British economy is still bumping along at the bottom of a damaging recession".

After the weaker-than-expected figures, output in the fourth quarter will have to grow strongly if Mr Lamont is to achieve the GDP forecast for the second half.

According to economists at Greenwell Montagu, GDP will have to rise by a 1.3 per cent between the third and fourth quarters to attain the forecast 0.6 rise between the first and second halves of the year.

Stockbuilding figures, however, raised the prospect that the expenditure measure of GDP could rise more than the output measure. The CSO announced a seasonally-adjusted third-quarter rise of £128m in stockbuilding (1985 prices) after a £1.6bn fall in the previous quarter.

Terry Waite and Tom Sutherland return to emotional greeting

Remaining hostages to 'be freed by Christmas'

By Neil Buckley at RAF Lyneham

THE remaining western hostages in Beirut will be free by Christmas, according to Mr Terry Waite, the Church of England envoy who returned to Britain yesterday after five years in captivity.

Freedom for the kidnap victims, held in the Lebanese capital by extremist Islamic groups, will mark the end of a prolonged campaign in which European and American citizens have been held captive in reprisal for the Israeli-backed occupation of south Lebanon.

Mr Waite, who was flown to an RAF base west of London from Cyprus, where he was taken on Monday after he was handed over to British officials in Damascus, said he had been assured by his captors that Mr Terry Anderson, the US hostage, would be freed by the end of the month

Mr Anderson, chief Middle East correspondent of the Associated Press, was kidnapped in March 1985 and has been held longer than any other hostage. Mr Waite also had assurances that the other American hostages, Mr Joseph Cicippio and Mr Alann Steen, would be released in the next few days.

"I trust Hezbollah and those who hold these men will honour that commitment they made to us," he said.

Meanwhile, Mr Tom Sutherland, who was released along with Mr Waite, arrived in Weisbaden, Germany, where he was reunited with his family.

A US military spokeswoman said the former hostage appeared to be in good health. Mr Sutherland, an American

Tom Sutherland at Weisbaden

agriculture professor of Scottish birth, was abducted in June 1985 in Beirut where he was Dean of Agriculture at the American University.

Iranian radio, meanwhile, said yesterday the release of the two men indicated that the kidnapping groups had decided to free all of their captives, in spite what it called the intransigence of Israel.

A separate report on Lebanese state-run television yesterday also indicated that Mr Giandomenico Picco, the UN hostage negotiator, has persuaded the hostage-holders to free their captives even if efforts to exchange Arab prisoners for missing Israeli servicemen in Lebanon are deadlocked.

Israel has stressed it would not release any more Arab prisoners it holds until it receives information on the fate of Capt Ron Arad, an air force navigator shot down over Lebanon in 1986.

Mr Waite, however, told an an audience of officials, journalists and spectators at RAF Lyneham that that the church would continue to work for peace in the Middle East.

"We know that the people of Lebanon have suffered greatly and those from whom I have just come can be assured that we in the church will not rest until all have been freed and there is justice and peace brought to people who deserve a better deal."

The Church of England envoy, who had gone to Beirut in a bid to secure the release of other hostages, also held a private meeting with Mr Douglas Hurd, the foreign secretary, Dr George Carey, the Archbishop of Canterbury and Lord Runcie, the former Archbishop of Canterbury.

Commenting later on the campaigns and appeals aimed at helping his release, he praised the BBC World Service, which he said had kept him alive both spiritually and intellectually during his ordeal

Since Mr Waite was taken prisoner in January 1987, all other UK hostages have been freed. Three Americans, two Germans and an Italian, believed to be dead, remain unaccounted for.

Tony Andrews

Terry Waite (foreground) arrives in the UK, followed by Lord Runcie, Mr Douglas Hurd and Dr George Carey

Labour details strategy for Europe union

By Ivo Dawnay, Political Correspondent

THE opposition Labour Party yesterday set out its battleground for today's House of Commons debate on Europe by challenging the government to clarify its positions on the key issues at the forthcoming European Community heads of government summit at Maastricht.

Mr John Smith, the party's treasury spokesman, alleged that the government's strategy was aimed at the management of its internal party conflicts "rather than by negotiating positively to secure British interests".

Outlining the goals Labour would seek in the negotiations, he insisted that the public had a right to know what the government hoped to achieve at the summit.

Mr Smith said key objectives should be an agreement on the Social Charter of employment rights, more democratic controls over EC institutions and specific criteria over how to bring member states' economies together before a single currency is introduced.

Highlighting the talks on economic union, he said that the government's position on a single currency remained "a mystery" as did its views on how to make the administration of such a currency politically accountable.

"We do not know what, if anything, the British government proposed on this crucial area of monetary policy."

Mr Gerald Kaufman, the spokesman on foreign affairs, took up the same theme when specifying Labour's goals on political union questions as an enlarged community subject to more democratic controls.

While the party accepted the government's position on the foreign policy and defence issues under debate, it was explicit in its readiness to see more powers for the European Parliament, he said.

The government, however, had not even mentioned the Parliament in the motion it had tabled for the Commons debate. "Our complaint against the government is that it goes to Maastricht and other summits with no specific policy proposals whatever," he added.

Questioned on whether Labour could accept a federal Community, Mr Kaufman insisted that the word was unhelpful as in Britain it conjured more central control, as in the US, while on the continent it was taken as decentralisation.

"We said absolutely specifically that we are against a supra-national state," he said.

Labour's vision of the community's future was laid out in its amendment to the government's motion, whereas the government had no clear objectives.

BT plans to launch combined credit and telephone card

By Hugo Dixon and David Barchard

BT PLANS to launch a combined credit card and telephone card in co-operation with several banks, the UK telecommunications group said yesterday.

The card, available next year, will allow customers to make phone calls as well as to pay for goods and services.

BT's move into the credit card business is similar to the launch by AT&T, the largest US telecommunications group, of its Universal telephone and credit card two years ago. AT&T now has 11m customers, making it the third largest bank credit card operator in the US.

Mr Tony Vardy, BT's director of service development, stressed that the company's credit card would be in co-operation with a number of banks and should not be viewed by them as an aggressive move. When AT&T entered the credit card business, Citibank, the largest US bank, switched its telecommunications business to MCI, one of AT&T's rivals.

BT has already issued 1m telephone charge cards, which allow customers to make calls from any telephone in the UK and have them billed to their own account. The new card would combine these features with those of the normal credit card and would be branded with either Visa, Mastercard or American Express logos.

Mr Vardy said the company was keen to sign "co-branding deals" with any bank that was interested. BT would be responsible for the telephone element of the card with the banks responsible for the financial services aspects.

Barclaycard, the UK's largest credit card company, said it was in talks with several telecommunications groups, including BT, but they were at an exploratory stage.

The card, developed under the codename Odyssey, reflects BT's sharper marketing thrust since its reorganisation last year.

Mr Vardy revealed that BT was planning to expand internationally. From early next year, BT's telephone card will be able to be used in the US and Japan.

Companies fail to use credit insurance

By David Dodwell, World Trade Editor

MORE than half of UK companies are likely to be unprotected against default by their customers, according to Britain's leading trade insurance broker.

This is despite the fact that the deepening recession has raised fears over bad debts, widened the experience of default, and increased problems in getting paid by customers, says the Credit Insurance Association.

The survey of 100 companies with turnover of more than £50m a year, conducted in the second half of October, showed that 56 per cent of companies operated their sales ledgers on unsecured terms.

They did not take out credit insurance because they thought premiums would be too expensive.

Companies who had not considered taking out credit insurance said they took legal action, made bad debt provisions, were careful in vetting customers, took bank references, or used debt collection services, to protect against loss by customer default.

CIA also found 82 per cent of companies were more worried about bad debts than they were three years ago. One fifth of respondents said around half of their customers were failing to pay bills within the agreed credit period. Almost two thirds said they had more bad debts than three years ago, with small companies experiencing greatest problems.

BRITAIN IN BRIEF

Insurers face £80m payout on hangar fire

Insurers face one of their heaviest ever property losses following a fire at a British Airways aircraft hangar at Gatwick airport, south London, earlier this month.

The total payout could amount to £80m. Royal Insurance will pay some £18m, although this will be substantially reduced after reinsurance recoveries. The fire affected an aircraft hangar at the airport where spares were stored. Property damage amounted to £60m with a business interruption claim contributing a further £20m.

Challenge to legal aid reform

Reform of civil legal aid would deprive even more people of representation in court, the National Consumer Council has warned. The main element of the proposals, published in June by Lord Mackay, the lord Chancellor, was a "safety net scheme" under which litigants would pay costs up to a personally assessed "spending limit" before becoming eligible for legal aid.

The NCC says the safety net scheme is likely to lead to delays and uncertainty. Whether a client received legal aid would depend on a complex means test and then whether the Legal Aid Board judged their case as meriting financial assistance.

Data collection to be improved

Changes to the organisation of the Central Statistical Office to enable the Treasury to gain a more accurate view of fluctuations in the economy have been announced. The CSO, the main Whitehall organisation for collecting economic data, is to improve its surveys of industrial and consumer activity to provide more data about economic change.

Jobless figures jump 62,000

The numbers out of work for a year or longer jumped by 62,000 in the three months to October to 654,000 - the biggest rise for more than eight years, according to the Department of Employment. Long-term unemployment increased by 146,000 in the year to October and is higher in all parts of the country than 12 months ago. The biggest rises were in the south west and the south east.

Merger talks collapse

Merger talks between the Union of Democratic Mineworkers and the EETPU electricians – two of the most significant employee groups outside the Trades Union Congress – have broken down. The failure of negotiations will improve the chances of an amalgamation between the electricians and the AEU engineers' union, a development of considerably more importance from the point of view of employers.

Traffic strategy planned

Local authorities in the west Midlands of England want to spend £2.5bn over the next 20 years to ease growing urban congestion through a public transport strategy. The West Midlands Passenger Transport Authority warns that without a balanced package of transport spending congestion in the region could cost industry £2bn annually by 2012.

Unions urge one-day strike

Britain's two largest Civil Service unions are urging their London members to stage a one-day strike as they and other unions step up a campaign for improvements in weighting payments for working in the capital.

The proposed action follows the Treasury's refusal to increase London weighting payments for three years. The government says reforms in civil servants' pay have made rises in regional weighting unnecessary.

Onshore oil blocks awarded

Three onshore oil exploration blocks have been awarded by the Department of Energy as part of its fourth landward licensing round. Hillfarm Coal has been awarded acreage in the Strathclyde, Fife and Tayside regions of Scotland, Hamilton Oil has a license for Merseyside and the Mersey Estuary and Brabant Petroleum received a block on the Isle of Wight.

Honda union seeks talks

The AEU engineering union is to press for recognition at the Swindon car-manufacturing plant of Honda, after securing a single-union deal at Toyota's proposed UK plants. Mr Bill Jordan, AEU president, said his union would be writing to the company asking for talks. "They may be prepared to look at their [non-union] policy in light of the fact that their two principle competitors have seen the competitive advantages of a partnership with the AEU." Nissan also has an agreement with the union.

Liverpool action comes to end

Seven months of strife between Liverpool City Council and trade unions will end today when 760 striking white-collar Nalgo members from the treasury and housing departments return to work. The action was part of a series of strikes and overtime bans by all the council's unions against redundancies. The GMB and TGWU general unions – representing the council's manual and transport workers – gave up in August.

Production of beer down

Beer production for the year ending in September was 3.45m barrels, a decrease of 35 per cent on the previous 12 months. Production in September was 3m barrels, 2.2 per cent higher than the same month last year, but the Brewers' Society said the underlying trend "continues to show the market depressed."

Technically speaking, the recession has now ended

By Rachel Johnson, Economics Staff

THE TREASURY team yesterday clutched at the first overall sign of an economic recovery. It took just one quarterly rise in the gross domestic product (GDP) for Mr Norman Lamont, the chancellor of the exchequer, to say that the figure was "consistent with my forecast of a modest recovery in the second half of this year".

To Treasury insiders, the news brought even stronger claims than the chancellor's: "Technically, we are seeing the end of the recession," said one, commenting on the third quarter rise of 0.3 per cent in output-based GDP, which was the first quarterly increase since the second quarter of last year.

When the UK economy began to turn down last summer the Treasury relied on the technical definition that there was not a recession until there had been two successive quarters of negative growth. Although Mr John Major, who was then chancellor, spoke of an "economic slowdown" in the summer, he waited until October to use the "R-word". According to the standard definition, the recession was not statistically official until the fourth quarter GDP figures

Lamont: expecting upturn

were released in February.

No such prevarication was shown yesterday. "We're not going to play games about how many quarters of positive growth constitute a recovery," said one Treasury official. In this, the Treasury has vagueness on its side. There is no "standard" definition of recovery. "Unfortunately, it's a judgment thing that gives politicians freedom to manoeuvre," said Mr Peter Spencer, economist at Shearson Lehman.

While the textbooks will not contradict the Treasury's talk of recovery yesterday, it seems there are plenty of economists who will. Some already argue that data more recent than the third quarter figures, such as October's retail sales figures, suggest a lapse back into negative growth in the fourth quarter – a double-dip recession.

"The chancellor's predictions of imminent recovery are already starting to lose their credibility," says an economist at UBS Phillips and Drew.

There are three commonly-used definitions of recovery – none of which is likely to apply to the 0.3 per cent GDP rise, accompanied by a 0.3 per cent fall in the non-oil economy.

- very weak: quarter-on-quarter growth resumes
- medium: a return to trend growth rates of 2½ per cent - 3 per cent
- strong: a period of above trend growth so that the output lost in the recession is "recovered".

While yesterday's figures may indicate that the recession is bottoming out, they do not indicate, given the flatness of consumer spending, the housing market and factory output, that the recovery has begun.

Orient-Express Hotels challenges rail monopoly

By Richard Tomkins, Transport Correspondent

MR JAMES Sherwood's Orient-Express Hotels, operator of the luxury Venice Simplon-Orient-Express train, is planning to be the first company to break British Rail's monopoly over passenger train services in the UK.

Mr Sherwood is about to approach the state railway with an unprecedented proposal that the company should be allowed to run a daily tourist train in north-west England using its own carriages and crew.

He also said he aimed to become a private operator of scheduled passenger express trains over BR's tracks as soon as legislation permitted.

Orient-Express Hotels is 42 per cent owned by Sea Containers, the shipping group of which Mr Sherwood is president, and 15 per cent by Mr Sherwood personally.

Mr Sherwood said yesterday he wanted rights of access to BR's tracks in line with the commitment given by Mr Malcolm Rifkind, the transport secretary, at the Conservative Party conference.

At present, private sector operators are allowed onto BR's tracks only in certain circumstances and with BR's consent. All trains must be driven by BR crews and most use BR

Challenge on the line: Orient-Express Hotels is seeking the right to run trains on the Settle-Carlisle line (above)

locomotives.

Mr Rifkind has said legislation will be introduced to break BR's monopoly as a prelude to privatisation. In the meantime he has asked BR to co-operate voluntarily with private sector train operators.

Mr Sherwood said he planned to operate a daily four-hour round-trip from Windermere in the Lake District, where Orient-Express Hotels already operates four tourist vessels on the nearby lake.

The train would run up the west coast main line to Carlise, turning south-east down the scenic line to Settle in North Yorkshire, and crossing back over the Pennine mountains.

The train would be made up of restored carriages bought from other private sector owners and a diesel locomotive bought or leased from General Motors of the US. Crews with BR training would be sought.

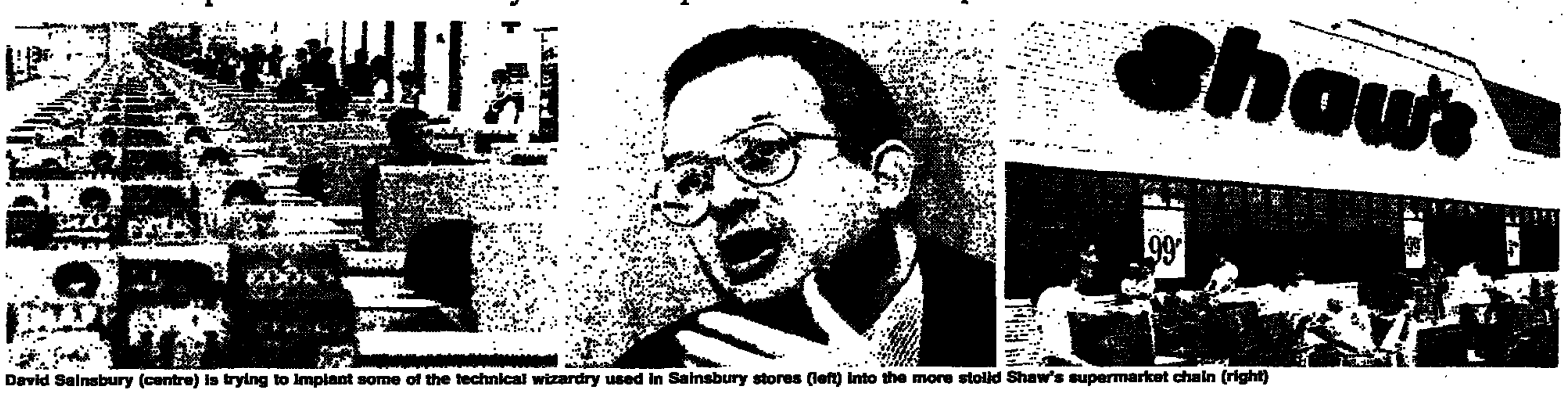
Mr Sherwood said he hoped to begin the service in 1993. He also planned to put his own locomotives and crew in charge of the British end of the Venice Simplon-Orient-Express.

In the longer term, Mr Sherwood said he contemplated running scheduled InterCity services on BR's tracks. But he said he could not envisage making profits from commuter trains unless rail passengers got the same tax breaks as drivers of company cars.

MANAGEMENT

From High Road to Main Street

Nikki Tait reports on J. Sainsbury's marital problems in the supermarket aisles of Massachusetts USA



David Sainsbury (centre) is trying to implant some of the technical wizardry used in Sainsbury stores (left) into the more stolid Shaw's supermarket chain (right)

An executive at Shaw's, the New England supermarket chain owned by Britain's J. Sainsbury, whirls into action. He has just spotted an elderly couple buying two cans of branded vegetables in one of Shaw's Massachusetts supermarkets. Wouldn't they prefer an own-label product, for a saving of 11 cents per item?

The lady peers at the tins and hesitates. "I'm a little bit leery of Shaw's," she confesses. Only the intervention of her less pernickety husband persuades her to make the swap.

This is at the heart of what Sainsbury is about in the States. At face value, it would seem simple to take an efficient UK food retailing operation and implant some of those skills – such as a strong "own label" emphasis – into a US industry where profit margins are substantially lower. In reality, matters are more complex.

Reasons why the British grocery chain should want to try are clear. The UK supermarket industry is concentrated; regional chains have been absorbed, and the three strongest players – Sainsbury, Tesco and Argyll – control about half the market. Sainsbury has some room for geographical expansion, but the process cannot go on forever.

Superficially, it seems there is everything to be gained from transatlantic expansion. Last year, Sainsbury's operating margin was more than 7 per cent, while at A&P, a comparable US supermarket group, it was less than 3 per cent. Surely this presents opportunities? In truth, as David Sainsbury, deputy chairman, points out, this "profits" gap is misconceived. Costs of establishing supermarkets in the US are lower, and hence it is the return on investment which really matters. Here, the difference between the US and the UK is less marked, although Britain still has an edge.

But there are plenty reasons for caution, too. Foreign retailers have suffered mixed experiences on US soil – ranging from the apparent success of Ikea, the Swedish furniture retailer, to the miserable ordeal of Gateway with its Hermans sportwear shops. The US supermarket industry, moreover, is flush with leveraged buyout companies and challenged from the discount store sector. As a result, price-competition is fierce.

This may partly explain Sainsbury's "softly-softly" approach. It was nearly a decade ago when the UK company alighted on Shaw's, an old-established, family-owned business. Based in Massachusetts, it takes in some 70 outlets averaging around 28,000 square feet, slightly larger than the typical Sainsbury store, spread round Maine, New Hampshire, Rhode Island and its home state. Sainsbury bought a minority stake in 1983, raised this in 1986 and finally took full control in 1987.

The formal relationship between the groups is twofold. There is a six-man J. Sainsbury (US) board which takes "strategic" decisions, which Lord Sainsbury chairs. Then there is a operating board, largely composed of Shaw's people. Publicly, both David Sainsbury and David Jenkins, who has run the US business before and after Sainsbury's involvement, describe a hands-off relationship.

But scratch behind the English good manners and it would seem that the UK parent's influence is more pervasive than this suggests.

Many of the changes have occured backstage. Both groups, for example, concede that Shaw's has been putting more emphasis on "category management" – a organisational structure that divides responsibility along product lines, and breaks down traditional relationships with suppliers.

In terms of internal computer systems Sainsbury has been quick to "loan" its own experts to Shaw's, accelerating development of the US company's new programmes. David Jenkins cites this as the area in which the UK parentage has been most beneficial, and claims that a year's development work has been cut out.

Distribution has also tilted towards a UK-style pattern. Perishable products have been removed from the East Bridgewater warehouse, and the fresh produce distribution contracted out to National Freight Corporation, another UK group.

The most noticeable change at store level is the attempt to push "own-label" produce. In the UK, where more than 40 per cent of sales are own-label, this is a key part of the group's success, tying in suppliers and giving the chain the benefits of bulk buying. In the US, own-label – usually called private label – is less significant, and 15 per cent of sales would be high.

Nevertheless, Sainsbury/Shaw's is trying. Walk round the stores and Shaw's products – fairly stylishly packaged in a clean, standardised design – are given many of the prime spots. The aim is to get around 800 own label lines in the stores by year-end. In some areas, like dry groceries and dairy, the hope is that one-fifth of sales will be "own label".

Getting to this position has not been straightforward. For a start, Shaw's, like many US supermarket groups, already sold a "private label" line of products. These were supplied by Topco, an old-established Illinois-based co-operative owned by some 35 store chains and wholesalers. Topco declines to comment on the situation, but some of its products have clearly been supplanted – although in lines which do not compete with an own-label product, the co-operative remains a supplier.

As for the big US "brand" suppliers, they know their clout and have fought "own label" before. "There have been pockets of resistance," concedes David Sainsbury.

Talk to suppliers and it is clear Sainsbury has used some pressure. But Tom Garvin, who runs Keebler, the US snacks and cookies arm of United Biscuits, will not give ground: "The big reason not to do 'own label' is that you make less money and put something in competition with yourself."

From a customer viewpoint, "own label" is a gamble. Americans have been down this road before, and perceive house brands as lower-quality. Sainsbury is quick to stress its supplier specifications, and hopes that once a customer starts buying he will be hooked. But other supermarket chains are sceptical; Safeway, a West Coast retailer which has noted an upturn in its own private label sales recently, attributes this to the economic environment, and is dubious about the long-term potential.

On other fronts, the degree of interaction between Sainsbury and Shaw's has been mixed. Matters like store layout have been subjected to Sainsbury analysis – although, in some cases, Shaw's views on the local market clearly dominate.

Some store managers adhere to the relatively cluttered, promotion-driven aisles, familiar to US customers. Sainsbury, it seems, tends to prefer a cleaner look.

Common purchasing, which seems an obvious synergy, can be problematic, too. US buyers want waxed apples, whereas British consumers spurn such immaculate, polished fruit.

Sainsbury admits that some cost inefficiencies are simply the problem of doing business in the US – from the much lengthier store opening hours to the larger range of goods which a US supermarket is required to carry.

All this is being played out against the difficult New England economy – a factor which has pluses and minuses. There are the obvious profit pressures: Shaw's recently reported an 11 per cent fall in interim operating profits to \$25.6m (£14.4m). However, recession seems to have encouraged a swing to private/own label nationwide.

As for the future, David Sainsbury claims that Shaw's expansion so far has been self-funding. "There may come a time when we'll want to put more money into Shaw's," he predicts. And what might be a catalyst? A cessation of opportunties in the UK, he suggests, turning the discussion full circle.

Nowhere near enough shaking going on

Andrew Baxter complains that operational managers are too timid in their approach to change

The Shakers and the Tuners might sound like pop groups from the 1960s, but for Brian Small they are two contrasting types in a neglected group of executives in British manufacturing industry.

Small, managing director of UK consultancy Ingersoll Engineers, believes British manufacturing suffers from too many tuners and not enough shakers among managing directors of operating companies within large industrial groups.

Shakers are people who are not satisfied merely with tinkering when they believe their organisation needs to undergo fundamental change. By contrast, tuners are happy to stick with incremental improvements.

For every chairman of a big plc there are perhaps 50 operating company MDs responsible for the design, manufacture, sale and service of products. More shakers are needed at this level in the 1990s, says Small.

Last week Ingersoll published a survey* of attitudes towards change among operating company MDs which produces encouraging and disturbing findings in roughly equal measure. First the good news. Questioned on what drives them to make changes, the 150 respondents said financial performance was paramount. But customer expectations, quality and new product introductions came next, and all three were forecast to become more important in the next five years.

As for the key factors to make change successful, "soft issues" such as clear communication, and commitment at all levels, scored much more heavily than obvious "hard issues" such as detailed initial planning. Ingersoll concludes that MDs are developing clear, even visionary views of what will make their companies competitive.

However, when questioned on the benefits sought from change, there was a far greater emphasis on short-term financial control than on medium-term growth. And there seemed to be a shortfall between effort and achievement: 86 per cent of MDs said their companies had undergone important organisational change in the last two years but only 40 per cent rated their organisation as good at meeting customer needs.

Small believes the problem lies in the approach to implementing change. Two-thirds of respondents took a cautious approach, preferring incremental change to major reorganisation, and some of the comments picked up by the survey indicate why.

"Until the company has been sold, it's difficult to be more than short-term focused," said one MD. Over the past five years, a third of the operating companies had changed hands, and nearly three-quarters of MDs had changed jobs. Little wonder that MDs leave change to their successors.

Small believes that clear methodology is required to make shakers out of tuners. Given that many MDs arrive in their jobs from a more functional role, he would like to see an "MDs' club" and specific business school courses which could help new MDs take a less cautious attitude to change.

Ingersoll's straw polls suggest that retaining what President Bush once called "this vision thing" is considered more important by French and Italian MDs than by their British counterparts. "There is more pressure in the UK for an MD to be cost-driven, partly because that's what the boss tells him to do," says Small.

**Change – the Good, the Bad and the Visionary. Ingersoll Engineers, Bourton Hall, Bourton-on-Dunsmore, Rugby, Warwickshire. CV23 9SD. Free.*

Dido and Aeneas

THEATRE DES CHAMPS-ELYSEES

The British mezzo Della Jones has just been enjoying a season in Paris. At the Palais Garnier she sang Handel's *Agrippina* on November 18, with John Eliot Gardiner and the English Baroque Soloists, and on November 25 she will give a recital at the Théâtre du Châtelet. Earlier I caught two of the four performances she gave of Purcell's *Dido and Aeneas* at the Champs-Elysées. Marc Minkowski conducted; Les Musiciens du Louvre provided the vocal and period-instrumental ensemble.

Jones has recently recorded Purcell's Dido. Here, however, she was also singing the *opera's anti-Dido*, the Sorceress. (She has performed this double-act already in Poland, and will repeat it next month in Bath.) Always vehement, commanding, forthright, she has the voice to show the correspondences and differences between the two roles. The same virtues illumine either role: firmness of line, sure diction, eloquent chest register and thrillingly precise divisions. As the Sorceress, she adds a brilliant upward flourish to the line "to storm the lover on the ocean." Next, as Dido, she adds an equally scorching embellishment in her final dismissal of Aeneas. Then she returns to the noble, long-lined simplicity with which she had began Dido, lighting with words "no trouble" with wonderfully tender softness.

Jones was singing both roles from the pit, while Mark Morris was dancing both onstage. I reported on Morris's *Dido* here when it was new in Brussels in March 1989, since when it has also triumphed in Boston and New York. The central idea, of Morris himself taking the two female lead roles, is still marvellous. He doesn't fine down or prettify his behaviour in some stilted notion of femininity; he gives both roles massive power and authority.

But this *Dido* is an ensemble, not just a star vehicle. Dido is never alone. She involves Belinda and her *courtiers in both her first air* and the Lament; and they continually address her. The coven of witches perform horror-comedy visions of hell at the Sorceress's behest, and their mocking versions of love-in-death, though hilarious, are the most chilling moments in the piece (you kiss your lover, then slit his or her throat). The multi-layered musicality with which all this is achieved is awesome. Morris has provided a great deal of sign language throughout, and he fits it to the music in gorgeously sculpted phrases.

I did not greatly admire Minkowski's account of the score. The overture, played at great speed by an instrumental ensemble with little bass *sound, sounded like an LP* being played at 45rpm. He then kept decelerating until the mourning iambs and trochees of the final chorus sounded mannered. But these Paris performances were warmly applauded; and it was good to see how Della Jones and Mark Morris both blew each other kisses in their final bows.

Dido and *L'Allegro, il Penseroso ed il Moderato* are Morris's two most British works – by virtue of their scores – and it is sad that they have triumphed elsewhere but have not yet been seen in Britain. There are hopes, however, that *Dido* may be brought to the 1992 Edinburgh Festival.

Alastair Macaulay

TELEVISION

New programmes for winter nights

And still they come, the new series for this autumn – well, all right, winter – season. Almost every night during the past week has produced one, two, or three new series, and that means genuinely new, not merely the latest batch of some dog-eared programme, running since the year dot, which has the word "New" tagged on, like a packet of Omo, every time it reappears. The programmes reviewed here really are new:

Wednesday: *Snapshots* is a Channel 4 series which "takes famous people back to meaningful places from their past". Cartoonist Ralph Steadman was the first subject, the town he returned to was Salcombe, and his reason for being there 35 years previously had been National Service. Steadman served on a radar station, took a correspondence course in drawing to relieve the tedium, and laid the foundations of a life quite different, by the sound of it, from what might otherwise have been. Channel 4 deserves our gratitude for ignoring the obsession with 45 and 60 minute slots and regularly producing short documentaries: the 12 minutes or so at the disposal of producers Josh Hall and Eric Harwood was enough to let Steadman make his points and there was never a chance of boredom. In tonight's programme Bob Geldof goes back to Dublin and next week Christine Keeler returns after an absence of 30 years to Wraysbury.

Thursday: Though it starts with the advantage of starring Dawn French, BBC2's *Murder Most Horrid* is neither as funny as it thinks it is, nor as funny as it should be. There are occasional good lines. When police woman Dawn says on the phone "Mother, I am *not* going to lock up your neighbour because he has stone cladding" that is a nice English joke. But, as with an awful lot of British television comedy, it is difficult to avoid the feeling that this one could have been improved by hard work. We would surely have laughed a lot more if only the writers had been told to go away and polish and revise with the dedication of their American counterparts, or John Cleese and Connie Booth when endlessly re-writing *Fawlty Towers*.

That applies doubled in spades to the BBC1 series *An Actor's Life For Me* in which John Gordon Sinclair stars as an inept and over ambitious actor. The belief seems to be widespread in British television that if a sight gag is funny the first time it will be twice as funny the second time, and so on. Thus in this opening episode we saw the actor's cupboard full of Doberman cosmetics, sent as a "residual" each time some awful commercial was repeated, not once, not twice, but three times, and each time the embarrassingly badly manipulated laughter track was turned up louder – sure sign of an anxious producer.

In the opening episode of *Secret History* (also C4) Jeremy Brickhill investigated an attempt to kill him some years ago in Zimbabwe and uncovered stories of all sorts of weird and shady plots, mostly hatched with South Africans, supposedly involving everything from poisoned underpants to a set of exploding floodlights which were meant to assassinate Prince Charles at the time of independence. All quite credible, of course, when you remember the American plan to kill Fidel Castro with an exploding cigar. But although it was a matter of life or death to Mr Brickhill it seemed less crucial to the rest of us. Tomorrow's programme is about mass murder in the Ukraine.

Friday: *Cats* on BBC2 opened with pictures of a cat playing with a mouse, behaviour which I believe has never been properly explained (tenderising the meat, teaching kittens to hunt, and all the other theories have been discredited – sheer cruelty seems the likeliest answer) and which was never referred to in the programme. The opening words asserted that "The cat is a creature beyond compare, no animal has a character more complex" which made you wonder whether they had ever come across men, dolphins, or apes. The presenter, Roger Tabor, who appears to be attempting an impression of Michael Wood imitating David Attenborough on speed, then declared "This is Madison Square Garden" presumably in order to sell the series to the Americans because, five seconds later, he went to Egypt and we heard not a word about the US for the rest of the programme.

Tabor will probably be declared a TV natural like other show-offs such as Magnus Pike and David Bellamy, which means that many of us will be so irritated by his antics that we shall not watch programmes which we otherwise might. For me the voice delivering the commentary on the new C4 series *Nature Perfected* about the origins of the garden, falls into the same category.

Saturday: remains, generally speaking, as much a wasteland for the moderately intelligent viewer as it ever was, though last Saturday we did get five hours on homosexuality from BBC2 in *Saturday Night Out*. The historical summary at the start of the evening had some good tongue in cheek juxtapositions and jokes ("Only room for one queen at palace" said the caption over the news clip of Commander Testrail leaving) and of course *The Naked Civil Servant* is a superb piece of work, but it is 16 years old. There are no new series of note on Saturdays.

Sunday: At first it seemed that the boom shadows on virtually every face in the *Biteback* studio must be some sort of in-joke, but since Julian Petiffer never referred to them you had to conclude it was sheer lack of expertise. Much the same applied to the programme in general. Those who have always believed that television is a good place for television criticism will be disappointed at this new afternoon programme once a month on BBC1. Much in television demands attention: the effects of the ITV franchise debacle on programmes, the review of the BBC charter, the perpetual attacks on "bias". But rather than sink its teeth into one of these the first *Biteback* went for a series of flea bites: an epileptics' pressure group which dislikes the portrayal of epilepsy on *Casualty*, the police specials who dislike the portrayal of specials on *Specials*. Surprise, surprise: no special interest group ever liked its portrayal on television. Worse, the programme ended with one of those pointless studio shout-ins, this one featuring political activists who reckon the BBC is biased and BBC people who disagree. "Oh yes you are" and "Oh no we're not" is no substitute for a rigorous investigation of the ethics of television journalism.

The consistently high standard of BBC1's family serials at teatime on Sundays is remarkable. Episode 1 of *Merlin Of The Crystal Cave* had peculiarly copious quantities of soft focus, so that it looked as though it was shot in a mediaeval Welsh mist (maybe that was the idea) but it had bags of narrative, good locations, and a child actor, Thomas Lambert, playing the young Merlin with whom younger viewers could readily identify. This looks like the acceptable face of sword and sorcery.

The more adult drama, *Ashenden*, on the same channel later in the evening is yet another of those ever so carefully produced period pieces with steam trains and black toques which challenge you to spot the anachronisms, in this instance bright green 1991 peas and a miniature bottle of Perrier during the First World War. With another good performance from Harriet Walter, as the exotic dancer whose lover the British secret service want to lure across Lake Geneva, it was entertaining enough, though too often you found yourself remembering what a splendid storyteller Maugham was. Better really to have thought what splendid television you were watching.

Monday: *Lifesense* on BBC1 is another of those wildlife series in which you are so struck by the technical wizardry (how do they train house flies to make home videos, and who makes the teeny weeny camcorders? . . .) that you tend to miss a lot of the content. This is not too important, however, because these days such series rarely rise above the "Just Fancy That" level of the old *Tit Bits* approach to journalism. There is never more than a snippet of one thing – clothes moths, vultures, house dust mites – before we are on to another. Technically it is astounding, but its assumptions about your mind are deeply irritating.

Christopher Dunkley

An impression of Michael Wood imitating David Attenborough on speed: Roger Tabor, presenter of 'Cats'

Belfry

BUSH THEATRE

I have never been to the Irish town of Wexford, even for the festival. It *seems a sadder, but also less artificial* place than the festival reports suggest. At any rate, it now has additional reason for being on the map.

Billy Roche's *Belfry* completes his Wexford trilogy. The first play, *A Handful of Stars*, was set in a snooker hall: the second, *Poor Beast in the Rain*, in a betting shop. *Belfry* is set in part of a parish church. I have read and admired the first two, but not seen them. But *Belfry* requires no prior knowledge and can stand in its own right.

The piece is a wry love story that is by no means sentimental. Artie, the sacristan and chief bell-ringer in the church, recounts his love for the married woman, Angela, who came to help with such matters as the flowers on the altar. The play moves backwards and forwards in time as *the affair is re-enacted.*

It is not in the Eloisa and Abelard vein, since a sacristan is not ordained. Nevertheless, this is a very catholic place. Wexford indeed seems full of people living together who are not married. It is also full of stories of those who have left in disgrace. Catholic repression seems to have bred its own set of sins.

The town is very gossipy: there is a woman in the church who is said to be praying daily for more information: *i.e.* more tittle-tattle. And from the window of the belfry, which looks down on the town, a great deal can be seen.

The church is also a sanctuary. A young altar boy, Dominic, who has been thrown out of home, is allowed to shelter there. For a while Angela's husband is unaware of his wife's affair. It is Artie's unseen mother *who gives the secret away, though* the blame is attached to Dominic on the grounds that he must be jealous.

By the end Artie is beginning an affair with somebody else and tells us about it. So is Angela, but we do not know with whom. That is the final twist. How can she manage it in such a small society and what is her motivation? Nobody knows.

The whole story is beautifully told and not without jokes. Roche has *favourite themes for his background,* like sport and pop music. Artie tells of his prowess at snooker and Dominic plays "I can't get no satisfaction" on the church bells.

Some of the acting is outstanding: notably Ingrid Craigie as Angela and Des McAleer as Artie. The direction is by Robin Lefevre, whose staging of the belfry is a triumph.

Malcolm Rutherford

Alastair Muir

Ingrid Craigie and Des McAleer

The Liverpool Oratorio

CARNEGIE HALL, NEW YORK

The *Liverpool Oratorio* by Paul McCartney and Carl Davis had its New York premiere in Carnegie Hall on Monday. The place was packed; security was tight; and at the close the ushers tried in vain to enforce the house rule against unauthorized photography: the hall was glittering with flash as if under a Fourth of July fireworks display.

The oratorio has had a rough ride from music critics, but in New York I found its honest, easy communicativeness more enjoyable, and more moving, than most of the new music – dully laborious or conscientiously ingratiating – that the month has brought. McCartney – does it need saying? – can write good tunes, and he sets words well. Davis in his easy eclectic way is a very skilful composer and orchestrator. So long as the oratorio sticks to narrative it works well – Paul's birth in Nazi-bombed Liverpool, his childhood, his schooldays (at the Liverpool Institute, whose motto *Non nobis solum sed toti mundo nati*, "Not for ourselves alone but for the whole world are we born", set to chorale phrases, runs as a motto through the composition), and his marriage and *his* marriage problems. But the closing movements – "God is good, And He will be our saviour" – turn mawkish, and Davis's ready recourse to brasses and bells starts to pall.

The choirs were local: the Boys Choir of Harlem and the Collegiate Chorale. The Royal Liverpool Philharmonic, making a New York debut, came over to play. Carl Davis conducted. The soloists were those of the Liverpool premiere, with the exception of the soprano: Barbara Bonney took over from Dame Kiri, and she was more direct, less mannered. Jeremy Budd's treble rang out strongly and truly. Sally Burgess and Willard White – Britain's latest Fricka and Wotan – were acclaimed. (Mr. White had not been heard here since he left the City Opera 16 years ago.) As the protagonist, Jerry Hadley gives the performance of his life with his free, verbally sensitive delivery.

Andrew Porter

BBC Symphony Orchestra

ROYAL FESTIVAL HALL/RADIO 3

It would be interesting to know where the BBC Symphony Orchestra features in the South Bank's design for the future. This is still the orchestra that puts together the most adventurous programmes and yet it does so often to paltry audiences, of which Monday's third of a house full was probably some way from being the worst.

The concert was an all-Russian one, with no obvious crowd-puller. The BBC has done as much as anybody to introduce us to the new composers emerging in the Soviet Union, such as Firsova and Smirnov. Another is Nikolay Korndorf, whose music is said to sink its roots deep in old orthodox liturgy and Russian folk song, although some listeners may sense a different connection in his *Hymn III*, written last year.

On the quiet I suspect Korndorf is a signed-up member of the Minimalist Tendency. Even Philip Glass would hardly dare to write a 40-minute piece with as little activity in it as *Hymn III*. A solo trumpet intones a chant-like melody, followed by a wordless soprano voice. The phrases overlap in the orchestra until the single event of the work is reached: there is a change of key. Then the music fades away, leaving the singer to declaim a few lines from The Revelation of St. John. It is all mystic and tranquil nothingness.

From whatever source Korndorf takes his inspiration, it is not the Russian romantics who filled the rest of the programme. The Third Symphony of Rakhmaninov has never really won the hearts of audiences and Alexander Lazarev's performance showed little in the way of affection for it, only a few red-blooded climaxes. The BBC strings are unlovely in this repertoire.

Nor is Skryabin's Piano Concerto, a tuneful and appealing work, heard that often. Although Artur Pizarro and Lazarev did not always hold it together convincingly, Pizarro has the naturally big tone and rhapsodic style for this pre-Rakhmaninov concerto, while also catching the delicacy in the piano writing, which is one of its most attractive features. I hope more people were listening at home than were in the hall.

Richard Fairman

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Piano recital by Marc Laforet, with music by Chopin, Debussy and Ravel. In the **Kleine Zaal**, the Chilingirian *Quartet plays string quartets* by Dvorak, Britten and Beethoven. Tomorrow: Vermeer Quartet. Fri and Sun afternoon: Wolfgang Sawallisch conducts the Royal Concertgebouw Orchestra in Beethoven symphonies. Sat afternoon: Hans Vonk conducts the Netherlands Radio Philharmonic in music by Sibelius, Mozart and Stravinsky. Sun evening: Maurizio Pollini (6718 345)

Muziektheater 20.00 Hans-Martin Schneidt conducts Johannes Schaaf's production of Fidelio, with a cast led by Josephine Barstow, Thomas Moser and Hans Tschammer, also Sun (6255 455/ credit card bookings 6211 211)

BERLIN

Deutsche Oper 17.30 Jiri Kout conducts Gotz Friedrich's production of Siegfried, with a cast led by Rene Kollo, Robert Hale and Anne Evans. Tomorrow: Rigoletto (West Berlin 3410 249)

Komische Oper 20.00 Schumann Lieder, with members of the Komische Oper Studio. Tomorrow: Don Giovanni (East Berlin 2292 555)

BIRMINGHAM

Symphony Hall 19.30 Mark Elder conducts the CBSO in music by Dvorak, Tchaikovsky and Shostakovich, with Stephen Hough soloist in Rakhmaninov's Fourth Piano Concerto. Tomorrow: song recital by Thomas Allen. Sat: Tammy Wynette (021-212 3333)

COLOGNE

Philharmonie 20.00 Helmut *Müller-Brühl conducts the Cologne* Chamber Orchestra and Bach Choral Union in an all-Mozart programme, including the Requiem, also Fri. Tomorrow: gospel concert. Sun: operetta concert (2801)

Opernhaus 18.00 Hans Wallat conducts Die Walkure, with a cast led by Paul Frey, Nancy Johnson, Matthias Hölle, Bodo Brinkmann and Deborah Polaski. Fri: Simon Boccanegra. Sat: York Holler's Der Meister und Margarita. Sun: Siegfried with William Johns in the title role (221 8400)

Schauspielhaus 18.00 George Tabori's Mein Kampf. Fri: Piaf, play by Pam Gems. Sat: Jean Genet's Les Bonnes (The Maids) directed by Gunter Krämer (221 8400)

DRESDEN

Semperoper 20.00 Henze's Boulevard Solitude, in a guest production by the Hamburg Musikhochschule. Tomorrow: Joachim Herz's production of The Love for Three Oranges. Fri: Bruno Weil conducts Le nozze di Figaro, with a cast led by Olaf Bär. Sat: Harry Kupfer's production of Eugene Onegin. Sun: Hansel und Gretel (4842 731)

Kulturpalast Tomorrow and Friday, Pierre-Dominique Ponnelle conducts the Dresden Philharmonic Orchestra in Bartok's Miraculous Mandarin and Brahms' Second Piano Concerto, with soloist Peter Rosel (4866 286)

FLORENCE

Teatro Communale 20.30 John Nelson conducts the Orchestra of the Teatro Communale in Mendelssohn's Fingal's Cave, *Rakhmaninov's Second Symphony* and Chopin's Second Piano Concerto, with Andrea Lucchesini, repeated tomorrow. Fri: Vittorio Sicuri conducts Alessandro Scarlatti's St Cecilia Mass, in the Chiesa di S. Trinita (277 9236)

HAMBURG

Staatsoper 19.00 Bernhard Klee conducts Marco Arturo Marelli's new production of Cosi fan tutte, with Karita Mattila, Susan Quittmeyer, Boje Skovhus and Deon van der Walt, also Sat. Fri: Sleeping Beauty. Sun: Donald Runnicles conducts Der fliegende Hollander, with James Morris in the title role (351555)

Deutsches Schauspielhaus Wilfried Minks' new production of The Cherry Orchard can be seen tomorrow and next Wed. Shakespeare's Romeo and Juliet, directed by Michael Bogdanov, can be seen on Fri and Sat, followed by The Tempest on Sun (248713)

LONDON

Covent Garden 19.30 Royal Ballet in a new choreography by William Tuckett, plus works by Balanchine and Jonathan Burrows, repeated tomorrow (071-240 1066)

Coliseum 19.30 Graeme Jenkins conducts Un ballo in maschera, with a cast led by Edmund Barham, Janice Cairns, Malcolm Donnelly and Linda Finnie, also Sat. Tomorrow: The Mikado. Fri: Le nozze di Figaro (071-836 3161)

Royal Festival Hall 19.30 Murray Perahia and friends in an evening of music by Mozart. Tomorrow: Young Musicians Symphony Orchestra (071-928 8800)

***Queen Elizabeth Hall** 19.00 Mark* Wigglesworth conducts David Freeman's Opera Factory production of Don Giovanni, also Fri and Sun (071-928 8800)

Barbican 19.45 Stanislaw Skrowaczewski conducts the Halle Orchestra in music by Bliss and Brahms, with Barry Tuckwell horn soloist. Tomorrow: Itzhak Perlman plays Prokofiev's Second Violin Concerto with the LSO under Rostropovich. Fri and next Mon: Frans Bruggen conducts the Chamber Orchestra of Europe (071-638 8891)

NEW YORK

THEATRE

● Nick and Nora: Barry Bostwick and Joanna Gleason star in a musical murder mystery set in Hollywood in 1937 and based on characters created by Dashiell Hammett in The Thin Man (Marquis Theater, 1535 Broadway at 45th St, 382 0100)

● The Homecoming: final performances of this revival of Harold Pinter's play, directed by Gordon Edelstein and starring Lindsay Crouse and Roy Dotrice. Closes on Sun (Criterion Theater, Broadway at 45th St, 869 8400)

● Lost in Yonkers: widely-acclaimed production of Neil Simon's Pulitzer Prize-winning play, directed by Gene Saks, starring Rosemary Harris, Bruno Kirby and Jane Kaczmarek (Richard Rodgers Theater, 226 West 46th St, 307 4100)

● Perfect Crime: Warren Manzi's long-running thriller about a wealthy female psychiatrist accused of murdering her husband, and the small-town detective who tries to prove she committed the *perfect crime. Directed by Jeffrey* Hyatt (Theater Four, 424 West 55th St, 695 3401)

● Ticketron answers inquiries and sells tickets (246 0102)

MUSIC AND DANCE

New York State Theater 20.00 City Ballet in works by Balanchine, Peter Martins and Jerome Robbins. The first two weeks of the City Ballet season consist of repertory performances, followed by the company's annual presentation of The Nutcracker from Dec 4 to Jan 5 (870 5570)

Carnegie Hall 20.00 Vladimir Spivakov is conductor and soloist with the Moscow Virtuosi in a programme including Bach's Violin Concerto in A minor, the Orchestral Suite No 3 in D major and Schnittke's Sonata for Violin and Orchestra. Sat: Mariss Jansons conducts the Oslo Philharmonic Orchestra in Mendelssohn's Violin Concerto with Frank Peter Zimmermann, and Shostakovich's Leningrad Symphony (247 7800)

Alice Tully Hall 20.00 Benita Valente joins the Guarneri String Quartet for a performance of Schoenberg's Quartet No 2 for soprano and strings. The programme also includes quartets by Mozart and Tchaikovsky. Sun: Roy Goodman and the Hanover Band in a Mozart and Beethoven programme (721 6500)

Metropolitan Opera 20.00 Rico Saccani conducts Aida with a cast led by Aprile Millo, Dolora Zajick, Nicola Martinucci and Matti Salminen, repeated on Sat afternoon. Tomorrow: Cosi fan tutte (362 6000)

STRATFORD

The current repertory at the Royal Shakespeare Theatre includes Steven Pimlott's new production of Julius Caesar (tonight and Fri), with a cast led by Robert Stephens as Caesar, David Bradley as Cassius, and Owen Teale as Mark Antony. Robert Stephens also stars as Sir John Falstaff in Adrian Noble's production of Henry IV Parts 1 & 2 (tomorrow). At the weekend, Clare Holman and Michael Maloney take the title roles in Romeo and Juliet, directed by Michael Leveaux, and there is also a chance to see Griff Rhys Jones' production of Twelfth Night. The latest production at the Swan Theatre is The Thebans, a two-parter based on Sophocles' three Oedipus plays, directed by Adrian Noble in a new translation by Timberlake Wetenbaker. Also in the repertory are Thomas Shadwell's 1676 comedy of sex and science The Virtuoso, Ben Johnson's The Alchemist directed by Sam Mendes, and John Ford's tale of incestuous love 'Tis Pity She's A Whore (0789-295623)

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CNN
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0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

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1540-1610 Your Money
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Wednesday November 20 1991

Parliament seeks a deal

BRITAIN is a willing and fully paid-up member of the European Community. It will continue to be a participant in its constant evolution. That is Mr John Major's view, and there is no reason to doubt it. The debate that begins in parliament today should serve to demonstrate that there is overwhelming support for the prime minister's approach to the EC, although headlines about Thatcherite rebellions and Labour attacks may give a different impression.

The truth is that all three national political parties agree that Britain's place is at the heart of Europe. They all favour constructive negotiation of the proposed new treaties on economic and political union, with the overriding objective of reaching agreement at Maastricht next month. The motions to be debated today and tomorrow illustrate this. The Liberal Democrats use the most federalist language. Labour's phraseology is more enthusiastic than the government's. There are important differences between the two larger parties: Labour favours qualified majority voting on social affairs while the government *seeks a deal that* "*avoids* intrusive Community measures in social areas which are matters for national decision". Yet seen from a broad historical perspective the three positions are remarkably similar. Maastricht is regarded by most of Britain's elected representatives as an opportunity, not a threat.

Bipartisan tribute

That this should be so is a tribute to both Mr Major and the Labour leader, Mr Neil Kinnock. (The Liberals have long favoured the EC; Mr Paddy Ashdown did not need to bring his party round.) As to Mr Kinnock, whatever doubts may be held about his motives, he deserves credit for leading his party away from the mindless anti-Europeanism of just three years ago. Today Labour appears to be wholly involved in continental European affairs. It is as least as much the "party of Europe" as the Tories ever were.

Thanks to Mr Major, the Conservatives now have the opportunity to become unequivocally associated with Europe once again. When he became prime minister almost exactly a year ago they were more at odds with themselves than they are today. The outgoing prime minister, Mrs Margaret Thatcher, was on the wrong side of the divide. Britain really was isolated within the EC.

Good relations

Mr Major has changed all that. One of his first declarations on taking office was to the effect that Britain wanted to come in from the cold. He has established good personal relations with a number of other EC heads of government. He has sought to heal the wounds in his party by consulting his own cabinet, and the whips, at every stage of the run-up to Maastricht. Faced with the task of addressing three audiences (the other 11, his own party, the country) at once, he has assembled a list of objections to the current draft of the proposed political union treaty that should attract the widest possible support, while not being so narrow as to deny him room for manoeuvre.

Some of his points are pure politics, such as the emphasis *on the word "federal"*; *others* such as insisting on a continuing role for Nato, or opposing unnecessary extensions of EC competence, are perfectly defensible positions of principle. It is not anti-European to say that what is wanted is an agreement, while declining to submit to this or that particular addition to the powers of the European Commission. It is not European at all simply to accept everything in every draft laid down by others.

There is likely to be an election before any treaty agreed at Maastricht is signed, and another before Britain must make a final decision on joining a single-currency union, if there is one. Anyone who disagrees may stand as an anti-federalist or whatever in either of these elections. This week opponents of the EC will be able to present their arguments in the Commons, although, barring accidents, their numbers are likely to be kept low. That should settle the matter. There is no case for a referendum. Parliament will have had its say; the people will soon have theirs.

Japan's rising trade troubles

ONE MONTH'S rise in Japan's trade surplus may send chills down the spines of Japanese government officials; but three consecutive monthly rises in its surplus with the US are enough to cool US-Japanese economic relations. Yet this mutual obsession with Japan's surplus makes no sense. The US may well be correct when it says that foreign producers are prevented from competing fairly in Japan's domestic markets. Yet US officials who cite the surplus as evidence of these barriers only expose their economic illiteracy,

Of course, the trade surplus is an obvious political target. The value of Japanese exports exceeds the value of its imports; foreign exporters believe they are discriminated against in the Japanese market; *ergo*, Japan's trade surplus is evidence of this unfairness.

The argument is simple – but flawed. The trade surplus measures the difference between export and import values, which, in a world of internationally mobile capital, is determined by the difference between national savings and domestic investment.

The deficit does not indicate whether imports are high or low as a percentage of gross national product, compared to other countries. In fact, Japan does have a lower share than the US of both imports and exports in total GNP. But this may reflect differences of location and endowments as much as obstacles to competition.

Real barriers

The low level of Japanese intra-industry trade and the fact that import penetration is lower in those industries where informal links between companies are most common do suggest that barriers exist. The Japanese government has taken steps to improve the access of foreign companies to its markets in recent years. It has liberalised the retail distribution system and made competition for government procurement contracts more open. Yet, the OECD argues in its latest survey of Japan, it has still not gone far enough. It should apply competition policy more vigorously and ease Japan's restrictive land zoning laws which raise lands prices while deterring foreign investment.

All the same, the government's failure to push deregulation far enough is unrelated to the re-emergence of a rising trade surplus this year. Japan continues to run a trade surplus because it saves more than it invests. The difference is exported to make up the shortfall in saving in the US and now in Germany too.

Domestic investment

The fall in Japan's current account surplus, from 4.5 per cent of GNP in 1986 to 1.2 per cent in 1990, occurred because the US demand for foreign savings fell while Japanese savings were soaked up by a rise in domestic investment. The consequent appreciation of the Yen made imports cheaper and reduced exports. Between 1985 and 1990, Japan had faster import growth and slower export growth than the US and Germany.

Japan's surplus is rising once more. The OECD forecasts that it will reach 2 per cent of GNP in 1992. Japan's economic slowdown has depressed capital spending and re-opened the gap between domestic savings and investment. Slower growth has also reduced import spending.

The rise in Japan's surplus has mitigated the rise in world real interest rates provoked by the increase in both the US and German budget deficits. The US has been the most vocal in its calls for lower real interest rates to ease this capital shortage. It makes no sense for it, simultaneously, to complain about Japan's surplus.

Yet complain it does. Consequently, the pressure on Japan to reduce its surplus is building once more. But Japan should not repeat the mistake of easing monetary policy by more than is domestically justified. The current slowdown arose because it did just that in the late 1980s. If the surplus is politically embarrassing, it would be better to liberalise the land zoning laws, in order to ease the pressure on private individuals to save to buy a house, and to increase government spending on improved public infrastructure. Measures like this would reduce savings and raise imports, while not risking a renewed bout of asset price inflation.

Trim or treat

Ivo Dawnay examines the Labour party's conversion to Europe

All eyes no doubt will be on Mrs Thatcher and the Tories. But as the two-day Com*mons debate on Europe gets* under way today, it is easy to forget that Mr Neil Kinnock may next July 1 be leading Britain's most overtly pro-EC government into the presidency of the European council.

So where does the Labour party really stand? Is its public Europhilia merely intended to keep an electorally convenient step ahead of the Conservatives? Or is the party genuinely as committed to an "ever closer union" as its rhetoric attempts to suggest?

The answer is a bit of both.

Incontestably, on some issues such as Community-wide workers' rights, Labour is now further down the European path than the Tories. But on others – foreign policy and defence are two – the party, like the government, feels more obliged to wave the Union Flag than take up the European banner.

But even where it concurs with the Tories, Labour has come a long way. Only eight years ago in 1983, its manifesto committed its leaders to an immediate British withdrawal from the European Community. Yet in the past three weeks, with the *Maastricht* summit on the horizon, the leadership has signalled approval for a single European currency and accepted significantly greater powers for the European Parliament.

"It is," says Mr Giles Radice MP, a Euro-enthusiast, "perhaps the most profound and important change in the party's post-war history."

Political folklore dates Labour's moment of conversion to September 1988 when Mr Jacques Delors, the Commission president, won an ovation from the Trades Union Congress at Bournemouth for a seductively crafted speech on his social charter of employment rights. The Labour party's success in capturing 45 of the 72 British seats at the Euro-elections a year later reinforced the view that the public was taking a more positive attitude towards the EC.

But Mr George Robertson, the party's European spokesman since 1984, argues that the seeds were sown much earlier in the "cathartic" 1983 election defeat. The humiliating failure of President François Mitterrand's defiantly socialist economic policy decade only hastened the leadership's decision to abandon its own policies of nationalisation and reflation.

As Labour's shadow ministers have grown more familiar with their social democrat partners in Brussels, so has their awareness of common interests. Outside Westminster, local councillors and unions approve of the EC's commitment to more regional aid and its social and employment aims which mesh with some of their *dirigiste* solutions to Britain's problems.

Even on the dissident left, many passionate enemies of the "rich man's club" have seen their objections collapse as dramatically as the Berlin wall. Mr Tony Banks, the MP for Newham north-west, for example, now says the prospect of an enlarged Community embracing the east makes a federalist goal not only feasible, but desirable.

To many Tories, none of this explains the scale of Labour's U-turn. Like Mr Douglas Hurd, the foreign secretary, they continue to claim that the turnabout is mere opportunistic "candy floss", targeted at the coming election.

But some less partisan critics – both Labour and Tory – argue differently.

They say, instead, that Labour's problem is that its actual differences with the Tories will end up, to borrow Mrs Thatcher's description of Sir Geoffrey Howe, as "more of style than of substance".

To deflect attention from its similarities with the Tories Labour repeatedly stresses the contrast in tone between its wholeheartedly pro-EC approach and the half-hearted language of the government. Last week, Mr Kinnock used a lunch with EC ambassadors to stress this point, but also felt obliged to include his commitment to fight for national interests. "We would not be a walkover, but we would be good partners in Europe, negotiators, not spectators," he said.

It is this difficulty in building a credible bridge between the national and the Community audience that is the central quandary for both main parties in today's debate.

Labour believes its trump card lies in its warm acceptance of the need for a "social dimension" to the single market. By supporting qualified majority voting in the Council of Ministers not just for trading and farm issues, but also for social policy-making, it is taking a mainstream European position while clearing the path for a new regime of employees' rights that is unacceptable to the Tories.

Labour also goes marginally further than the government to address what it describes as "the democratic deficit" in Community institutions. Mr Kinnock has no difficulty in allowing the European Parliament some rights to initiate laws and substantially greater oversight of the Commission.

On economic and monetary union, Labour's support for a single currency is markedly more explicit than the government's public equivocation. Yet the leadership also takes care to hedge it with worthy, if not wholly credible, conditions for "real convergence" between the EC economies. In place of Tory budgetary criteria, Labour's provisos relate to levelling unemployment rates, aided by big increases in regional funds and wholesale reform of the Common Agricultural Policy.

More revealing, perhaps, are the points where the views of the two main parties converge. With an eye on public opinion at home, Labour shares the Tories' determination to keep Brussels bureaucrats away from defence, foreign and security policy and from meddling with Britain's right to enforce its own immigration controls.

Its caution is also evident in what it will not say. Pressed to *reveal whether the party* would join the Tories in demanding an "opt-out" clause on a single currency or would sign the proposed "solemn declaration" binding it to that goal, Mr John Smith, the shadow chancellor, is evasive. He points out that the option not to go ahead is already implicit in the rights of national parliaments to vote on the question at a later date.

Similarly, Mr Gerald Kaufman, the shadow foreign secretary, waves away the controversy over the "F-word" – an explicit statement in the treaty text on political union that would define a federal goal for the Community. "Most of our continental colleagues define federalism as decentralisation," his deputy, Mr Robertson, says. "That is how we see it."

If these policy areas are deliberately fuzzy, Labour's overall strategy is clear. Its calculation is that if Mr John Major fails to sign at Maastricht, the prime minister can be castigated for jeopardising the country's future with the same obstructionism that characterised his predecessor. If he does strike a deal, he will be attacked for squandering goodwill for the UK in ultimately fruitless argument.

Mr Major's obvious defence – that he fought for the best deal for Britain – will be disparaged as the claim of a man who put party unity before the country's best interests.

For the moment at least, problems of party discipline do not afflict Labour. A meeting last week of the hard-left Campaign Group suggested that fewer than 20 of his colleagues agree with Mr Peter Shore, a former cabinet minister, that EC exchange rate constraints will prevent Labour having the option of devaluing sterling to finance its economic recovery programme.

Most shadow cabinet members dismiss this concern. Some senior figures want more public emphasis on Labour's conditions for accepting a single European currency. Recent opinion polls, they say, seem to indicate that the public continues to express more confidence in the cautious, nit-picking Tories on EC affairs.

Public opinion abroad is more favourable. Mr Peter Schultz, London director of Germany's Friedrich Ebert Foundation, which has close ties to Germany's SPD opposition, concedes that German social democrats are now convinced of the "irreversibility" of their British comrades' change of heart. But he warns that their approach still falls far short of federalism.

The greatest concern of Labour's foreign friends is that the party's grassroots supporters now believe that the EC will finance all their dreams of enhanced public services and lower unemployment. Labour's leaders deny the charge, claiming the party has an awareness that a place in Europe's first division depends on home-grown economic strength.

The critical change is that it now believes this must be achieved in collaboration with, not opposition to, the EC. For Labour's current leaders, at least, the option of an anti-European posture has now been closed off forever.

Lotta bottle, little rivalry

Tony Jackson on the lessons of a proposed UK milk market deal

Last week's proposed £350m purchase of Express Dairies by Northern Foods has a special significance for students of UK competition policy. The milk market, one of the most bizarrely complex and regulated in the UK, is showing signs of loosening up. The big dairy companies are flexing their muscles accordingly.

If the Northern/Express deal goes through, the UK's five biggest dairy companies will have 70 per cent of the milk market between them. A decade ago, the figure was 55 per cent. Much has happened to the market in that time: falling consumption, the decline of the milkman, better distribution and so forth. But much of that has resulted from the weakening of governmental control. The government, therefore, bears a special responsibility for the result.

The supply of raw milk in the UK is still in the hands of a producers' monopoly, the Milk Marketing Board. The restrictive practices of the board are under fire from several directions, notably Brussels. But the pace of change has proved slow: so slow, indeed, that Mr Charles Runge, the board's reforming chief executive, resigned last week in protest.

In normal commercial terms, the system operated by the board is restrictive to the point of absurdity. The price it charges depends on what the milk is going to be made into, which is arguably none of its business. The price is also sustained ultimately by the European Community, based on a floor price for butter. Perhaps worst of all for the board's big customers, there is no discount for volume. Buy one gallon or a million, the price is the same.

Historically, the dairy companies were compensated for this by a further absurdity. Until 1984, the UK government sat down every year or so and fixed the price which the public paid for a pint. There were no discounts here either. The dairy companies charged the same for a million pints delivered to Sainsbury as they did for a single pint delivered to the doorstep.

When that system was abandoned, the big retailers were instantly able to increase their hold on the milk market by demanding and passing on price reductions. Ten years ago, 90 per cent of the milk drunk in England and Wales was sold by the dairy companies themselves through their own milkmen. The figure is now 65 per cent and falling.

For the dairy companies, getting bigger through merger has been a natural response. Nor has pricing been the only pressure. In the old days, the fragmentation of the dairy industry was based largely on the fact that milk could not sensibly be delivered over a radius of more than 50 miles from the dairy. That has changed as well.

A dairy executive explains: "Milk keeps better than it used to, because it's better pasteurised and we've reduced the bacteria count at the farm. Besides that, from the point where it leaves the cow it probably doesn't come out of the chill chain until you take it out of the Tesco fridge. Yesterday's milk used to be something you didn't want to drink. Now it's OK four or five days later."

For the dairy company, this also means cost. A new hygienic milk-cartoning plant on the scale demanded by the supermarkets costs some £25m. The head of one of the big processors says: "For me, the whole process of amalgamation is all about the decline in doorstep delivery and the fact that you end up with dairies half empty. A small independent dairyman with an old dairy is looking at the cost of a new bottling plant. Frankly, he doesn't do it."

The process of change has certainly further to go. The next big step might be for the Milk Marketing Board to grant normal commercial discounts. The board is adamant that this will not happen. Whether it can hold out is a deeply complex question: but the dairy industry, at least, assumes that change must ultimately come.

Similarly, the force of the board's cartel rests on the support provided for the milk price by Brussels. The prospects for reform here are equally contentious: but rising resentment worldwide against agricultural subsidies argues for eventual change.

Given that mergers in the dairy industry are therefore likely to continue, the government needs to keep a sharp eye on the consequences. In the brewing industry, recent intervention to promote competition has resulted not only in a wave of amalgamation but in a sharp jump in the real *price of beer*.

So far, that has not happened in the dairy trade. Since the price of a pint was deregulated in June 1984, the real price of a pint on the doorstep – that is, from the dairy companies themselves – has gone up by 5 per cent. But there has been a powerful control in the form of the supermarkets. Their price since deregulation has fallen in real terms by 10 per cent.

It might, therefore, be argued that concentration among the milk suppliers is not a problem, since the supermarkets are there to ensure competition. Whether the government ought to rely on a retailing oligopoly in this way is an open question. It is also perverse and faintly worrying that when the government acts to remove barriers to competition, the result should once again be a fall in the number of competitors.

OBSERVER

Rock of ageing

■ When you see record companies like Chrysalis selling out to big business, you don't need wrinkles to feel old.

A pioneer of the independent labels, Chrysalis was founded by 23-year-old Chris Wright because the establishment giants were not recording his type of music. Remember *My boy lollipop*, *The lonely bull*, and Jethro Tull…? Wright was one of the first to exploit British rock in the 1970s.

Today, nearly 25 years on and having made much money, he is selling to Thorn EMI, one of the giants he danced rings round. He will remain non-executive chairman for a while, and the old company will go on conducting a medley of music-related activities.

But the "indie" record business is nowhere near the fun it was. Chrysalis Records is losing money. And having sold it profitably, Wright is likely to follow Richard Branson and Andrew Lloyd Webber by taking his group private.

So what went wrong?

Certainly Wright knows good music when he hears it, unlike his fellow beardie Branson whose cloth ear ensures that his colleagues keep him away from Virgin Music. But he lacks Branson's organisational flair, and financial pressures have made him bow to the giants' policy of buying up small rivals and the kids' ears with them.

Some day, perhaps, independent labels will wax again. But by then even Wright, already 47, may be too old to re-stage his 1970s performance.

Sum hopes

■ From red to green. Two Russians, met by UK nuclear scientist John Gittus on a visit to Moscow, excitedly told him that they and their fellow citizens would be richer by 6,000 roubles apiece from the change to a market economy.

The government had totted up the worth of all the state assets, the two explained, and the combined values when divided by the population came to no less than 6,000 roubles a head. What's more, they added, "by some calculations, which work out what the assets would be worth to replace with Western assets, we will all get even more."

Although loth to disillusion them, Gittus remarked that Britain had trod the same path beforehand under Margaret Thatcher, starting with the sale of the telecommunications industry.

"And how much did *you* get?" the Russians asked. "Nothing," said the scientist.

There followed a long silence, after which one of the pair sighed: "Oh dear. When they hear about that method here, they'll be sure to introduce it."

Back to normal

■ A deathly hush as Brian Quinn, head of banking supervision at the Bank of England, rises to address a London conference on "Risk in Banking – Recognition and Control". Was he about to spill the beans on how to recognise and control the risks of another BCCI?

Alas, no such message, open or in code. "My lips are sealed at least until the Bingham inquiry is complete," said Quinn. Note the "at least": don't hold your breath.

Staying put

■ The clue that led Sherlock Holmes to the *missing race*-horse Silver Blaze was the dog that did not bark. Students of Finnish affairs are now pondering something similar: the central bank governor who did not resign.

Although a strong opponent of last week's devaluation of the markka, Rolf Kullberg – aged 61 and governor since 1983 – has stood fast despite the resignations of two other opponents who were on the bank's board. Kullberg has said he volunteered to go, but was persuaded by President Mauno Koivisto to stay for the time being at least.

Others who voiced opposition to the 12.3 per cent devaluation against the ECU, only to refrain from resigning when it happened, include not just finance minister Iiro Viinanen but Prime Minister Esko Aho's centre-right government in general. Indeed, its 6¼-month tenure was endorsed by a parliamentary confidence-vote at the weekend.

But analysts, doubting that there will be much beneficial effect on Finland's recession, *do not* expect the government to last for long. And if it falls, the story looks likely to have a Scandinavian twist to its tail.

When Sweden's voters jibbed against recession in September, they threw out the Social Democrats and brought in a right-wing coalition to deal with the economy and take the country into the European Community. In Finland it will probably be the Social Democrats who're imported to do the same, with those to the right bowing out.

"I drink Beaujolais to take my mind off Europe"

Ecumoney

■ Need to know how much an Ecu, as defined in Council Regulation (EEC) number 3180/78 (OJ No L379, 30 December 1978, p.1), as last amended by Council Regulation (EEC) No 1971/89 (OJ No L189, 4 July 1989, p.1), is worth?

According to the British Department of Trade and Industry, which has to calculate the *rate for insurance* purposes, it is currently worth 69.7265 pence. But for the 12 month period beginning 31 December 1991 it will be 70.2425 pence. Now you know.

View halloo

■ One of the EMAP publishing group's nice little earners is the Gallic hunting and countryside magazine, Le Chasseur Français. The group's bosses are positively bouncing in the saddle over its money-spinning classified advertisements, many placed by French farmers in pursuit of a wife.

Indeed, editor Pierre Lancrenon estimates that as Le Chasseur has been running such ads since 1880, about 21 per cent of the French population is descended from matches made through the magazine's columns.

But alas for blind romance. These days the ads often include not only requests for photographs, but a proviso that the bride should drive to the altar on her own tractor.

Dirty digger

■ The Institute of Wastes Management, the leading professional body in its field, is looking for an enthusiastic full-time editor to gather material…

LETTERS

Weathering the recession

From Mr Richard Needham MP.

Sir, In your article, "Rise in jobless begins to slow in most regions" (November 15), you claimed that Northern Ireland was the only region which suffered a greater number of job losses in October than in September.

I must point out that of the 24,698 drop in the national headline figure Northern Ireland contributed 2,994 – well ahead of its proportion. Indeed the seasonally adjusted increase of 400 which the province suffered last month was also proportionally below the national increase.

As the minister responsible for the Northern Ireland economy I am glad to say that we have weathered the recession better than most other regions in the country. The unemployment statistics over the past 12 months or so clearly demonstrate this point. There is always enough bad news about Northern Ireland. Please give credit where it is due.

Richard Needham,
minister for the economy,
Department of Economic Development,
Netherleigh,
Massey Avenue,
Belfast

CAA's explanation for airports' pricing formula

From Mr Christopher Chataway.

Sir, Lex describes the Civil Aviation Authority's pricing formula for BAA's south-east airports as "astonishing in its generosity" ("BAA", November 19).

The essential facts are that the Monopolies and Mergers Commission, which starts this particular review process, recommended a pricing formula in July based upon a projected current cost rate of return over the next quinquennium of 8 per cent. The CAA put forward for consultation a formula based upon 7 per cent. On July 10 the FT said "the CAA has stymied BAA's long-term investment plans".

After extensive consultation the CAA has now decided upon a formula, which is the equivalent of RPI minus 6 for each of the five years and will yield a 7¼ per cent return. BAA will be allowed to levy about £100m less in charges over the five years than was recommended by the MMC. The investment plans for much-needed infrastructure are going ahead.

The regulation of private monopolies is a relatively new activity in Britain and requires much public scrutiny and debate. Those being regulated must be expected at various stages of the process to register the appropriate range of emotions between despair and elation. From serious commentators one would, however, hope for a more measured response.

Christopher Chataway,
chairman, Civil Aviation Authority,
CAA House,
45-59 Kingsway,
London WC2B 6TE

A myopic view of reforms

From Mr C D Naish.

Sir, I'm afraid Andrew Tyrie (Personal View, November 18) is being myopic in welcoming the Commission's proposed agricultural reforms. As UK farm business receipts are to be cut by £1.5bn, direct payments amounting to £300m-£350m fall a long way short of the full compensation claimed by Mr Tyrie.

A closer analysis of the reforms shows that there will be a permanent increase in the cost to UK taxpayers. This will be accompanied by substantial financial losses for British farmers. The benefit to consumers will be a once-and-for-all reduction in retail food prices of less than 2 per cent.

Hardly a net gain for Britain.

C D Naish,
president,
National Farmers' Union.
Agriculture House,
Knightsbridge, London SW1

Use humans

From Mr Jürgen Heitsch.

Sir, If it were true that animals "feel no pain and suffer only a small degree of discomfort", as maintained by the "Dr Clifford" of Peter Marsh's article (Putting the case for animal research", November 16), why not use human beings instead, to end all talk of moral justification?

The answer is plain – it is a lie.

And why condemn the Nazi holocaust, witch hunting, slavery if the victims, being in "our" power, like his animals, merely had the practical bad luck to "reflect reality"? We are to each other what animals, our co-creatures, are to us.

The medico-biological complex is not, however, alone in testifying to the hidden curse of science.

Jürgen Heitsch,
Zwinglistrasse 34,
Berlin,
Germany

An anti-European rhetoric in the UK that is becoming ever more difficult to understand

From Mr Thomas Martini.

Sir, As the Maastricht summit approaches, I am perhaps not the only German with two British children who, after 15 years in the UK, finds the rhetoric of the anti-Europeans ever harder to understand. Whoever makes sterling an issue of sovereignty has not grasped that this insular attitude has been responsible for the pound's decline from DM7.50 in 1973 (when I first visited the UK) to less than DM2.90 now. This insularity (the wish to remain ignorant of all foreign matters) has also provided the background for the fall in Britain's share of world manufactures since 1979 and for the huge productivity gap between Germany and the UK.

As for the Little Englanders who find only fault with European institutions, one would wish for a little more honesty. Britain is now more centralised than most European states, and what is being sold as a defence of British democracy is, in several cases, rather a defence of English feudal concepts. As long as the British equivalent of the minister of justice frequently also presides over the highest court in the land, and while the home secretary successfully shelters behind his appointment by the Crown in order to avoid contempt of court proceedings, British law and politics remain indeed incompatible with the more democratic practices of continental Europe.

Why should the Europeans meeting at Maastricht offer any compromise to Britain when the latter has nothing to offer in terms of vision, economic performance or democratic development?

Thomas Martini,
18 Poplar Road,
Merton Park,
London SW19

Displaying a historical bias against Thatcherism

From Mr Stephen Barber.

Sir, I cannot be the only reader who detected more than a hint of bias in your headline treatment of two very similar stories at the top of your front page on November 7.

The US discount rate cut is presented as a "bid to revive (the) economy". The UK spending increase is described as taking place "ahead of (the) poll". Yet a close reading of the related text makes it clear that the Fed cut the discount rate under "heavy pressure from the White House" and evidence that "the weak economy could damage Mr Bush's re-election prospects".

The UK article mentions Mr Lamont's statement that the spending increase is to cope with "an expected 2 per cent drop in real gross national product". Both stimuli may be politically motivated; nevertheless, the economic case for stimulation is much stronger for the UK than the US. Why the difference? The headline treatment of the UK story, repeated throughout the paper, reflects a historical bias against "Thatcherism" and the Conservatives which ill befits a newspaper which ought to be the flagship of capitalism.

Stephen D Barber,
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Tokyo, Japan

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Edward Mortimer

From Vukovar to Maastricht

The EC must offer eastern Europe an alternative to the model that has failed Yugoslavia

FOREIGN AFFAIRS

The cynics, the Hobbesians, the old hands, the self-styled "realists" are having a high old time of it. How easy it is, when contemplating the ruins of Vukovar, to make fun of all us woolly-minded liberal idealists, who hoped to achieve "a just and lasting peaceful order in Europe accompanied by appropriate security guarantees".

But that fine phrase, in case you'd forgotten, was officially adopted as "the ultimate political purpose of the Alliance" at a Nato ministerial meeting back in 1967, in a document known as the Harmel Report. If, like me, you are just too young to remember a time before Nato was, you can be forgiven for thinking of it as an association of cynical, hard-headed realists dedicated to preserving the Cold War order and stability of which it was so conspicuous a part. But in truth Nato never would have come about without a strong dose of liberal idealism – originating mainly, of course, on the western side of the Atlantic.

You might also think, remembering Mrs Margaret Thatcher's enthusiasm for it, that Nato was a purely political alliance between sovereign states, all of which jealously guarded their sovereignty intact. You would be wrong. Nato involved, and still involves, a pooling of sovereignty in an area most people regard as far more central to the very idea of sovereignty than even the control of one's own currency: the armed forces that enable a state to defend itself. Sixteen countries put their armed forces under a joint command, not just for a specific war but on a permanent, peacetime basis. General Charles de Gaulle, who really did believe in a Hobbesian world of separate sovereign nation-states, realised the contradiction and withdrew French forces from the peacetime integrated command. But no-one else followed his example, least of all Britain under Mrs Thatcher.

Yugoslavia is Hobbesian theory made grisly flesh. It worked, after a fashion, so long as there was an unquestioned sovereign authority, in the shape of the late Marshal Tito and his Communist League. But once that Leviathan relaxed its grip, the country reverted all too precisely to Hobbes's state of nature.

For a pure Hobbesian, that state of nature can be avoided only when there is a single sovereign power overawing all individuals, so that they are dispensed from the necessity of making pre-emptive strikes against each other. If one transposes the model to international society, it means there can be no such thing as a "just and lasting peaceful order" unless and until a single all-powerful world government is established. Short of that, all states are obliged to be permanently on guard against each other. The success of Nato would be explicable only if one viewed it as an acceptance of American "sovereignty" over western Europe. That is how de Gaulle came to see it, and why he rejected it.

It is a historical accident that European defence integration has occurred almost exclusively in Nato, while economic integration has belonged to the EC

In reality, Nato was based on a different model. States were able to pool their sovereignty because their peoples were fundamentally like-minded. They achieved the necessary confidence to live at peace with each other not by pledging obedience to a common sovereign which overawed them all, but by so pooling their resources that for one to attack the other became unthinkable.

This, of course, was also Jean Monnet's idea. He never saw any contradiction between Nato and the Europe he was trying to build. Both were based on the same principle. The only difference was a purely practical one: geographical proximity made possible a closer integration within Europe than could be achieved between the two sides of the Atlantic. But the European Defence Community, if the French national assembly had not rejected it in 1954, would certainly have been part of Nato, indeed a crucial part.

So it is something of a historical accident that European defence integration has occurred almost exclusively in Nato, while European economic integration – or, to be more precise, the subjection of economic life, with an ever-widening sphere of social and political conditions that affect it, to a common set of rules and institutions – has occurred mainly in the EC. The result has been a tension between the two, which was held in check as long as the Cold War lasted, but has now come into the open. The political sphere of the EC has widened to the point where it has to include a "common foreign and security policy". Any such policy is bound to have a military dimension, and it is absurd to suppose that it can be worked out without taking Nato into account.

Charles de Gaulle died 21 years ago. His successors no longer think of French sovereignty as something absolute and indivisible, even in the military field. They are ready to construct a European Union (EU), based on the EC, in which they wish to include defence. They also proclaim themselves loyal members of the *Atlantic alliance*, and in Rome this month they declared their support for most of Nato's new strategic concept. They want to build up the existing Western European Union (WEU), all of whose members belong to both the EC and Nato, as the embryonic defence structure of this new EU. Why then do they insist on keeping WEU's structure separate from that of a remodelled Nato?

The British government, for its part, has accepted (in the Anglo-Italian declaration of October 4) that European political union implies "the longer-term perspective of a common defence policy compatible with the common defence policy we already have with our allies in Nato", and that WEU should develop its role as "the defence component of the Union" as well as being "the means to strengthen the European pillar of the Alliance". Why should not these two roles be one and the same? Why does Britain jib at the Franco-German wording which would require the WEU to "act in conformity with the directives of the Union"? What sort of figure would Europe cut, if the WEU were to take actions that did not conform to directives adopted by a Union to which all of its members will belong, and of which it is supposed to be the defence component? Or, for that matter, if the Union were to adopt directives cutting across the policies of the Atlantic alliance, to which 11 of its 12 founder members will belong?

All this theology may seem a long way from Vukovar. One cannot say with confidence that a fully-fledged European Union would be able to stop the bloodshed in Yugoslavia, no matter how closely integrated it was with Nato, or how effectively it had developed WEU into a real defence component. The same questions would still confront it, and would be no easier to answer: are west European nations prepared to brand Serbia and the federal army as aggressors, and to risk their own young men's lives in defence of Croatia as they did in defence of Kuwait? If so, which Croatian borders will they defend? If not, how are they going to provide a neutral peacekeeping force so long as there are no agreed ceasefire lines and neither side seems able to impose discipline on its own troops?

Yet the Maastricht theology is important, to eastern as well as western Europe. The Treaty of Maastricht will define the liberal idealist model which western Europe can offer to eastern Europe, as an alternative to the Hobbesian model of Yugoslavia. It must be a model of integration including defence forces; and its aim should be, not to replace or dismantle Nato, but to extend the benefits of Nato eastwards, to the parts of Europe where they are most acutely needed.

PERSONAL VIEW

Time to correct the economic policy failures of the 1980s

By Dieter Helm, Colin Mayer and Ken Mayhew

One of the most enduring legacies of the 1980s has been the importance attached to micro-economic supply-side policies. In contrast to earlier years, the main goal of macro-economic policy in the 1980s was to deliver low inflation, leaving the supply side to deal with real economic performance.

In the UK, these supply-side policies took the form of promoting the operation of markets and increasing competition. They involved controlling government expenditure, privatising state enterprises and introducing market processes into what were previously regarded as largely non-market activities: education, health and local government. Competition was intensified by deregulation and restructuring of monopolies. Labour and housing markets were liberalised and more emphasis was placed on the individual at the expense of collectives.

In some areas these supply-side policies were successful. In others they were positively harmful. The dividing line between success and failure is essentially that between consumption and investment. Where little investment was required, policies of promoting competition were successful; where significant investment was needed, performance fell.

Services are the main area in which microeconomic policies have been successful. The performance of buses, coaches, opticians, financial services and telecommunications were largely improved by introducing markets and greater competition. The main areas of poor performance have been in training, R&D and education.

Privatisations succeeded in transferring large segments of the public sector with apparent ease to the private sector. Where competition accompanied privatisation, performance appears to have improved, as in airlines. However, conflicts between efficiency and investment have become more evident recently in the high investment sectors, such as water and electricity.

There can be little doubt that reforms to the labour market – for example, the resolution of industrial disputes – contributed with the recession of the early 1980s to an improvement in manufacturing labour productivity. However, the most serious problem facing the UK labour market – investment in labour (training) – has not been addressed.

Financial reforms have reduced the cost of financial services and certain forms of credit. But hostile takeovers have exacerbated concerns about whether adequate incentives exist for companies to pursue long-term investments and strategies.

The reason for these conflicting experiences is the trade-off between promoting efficiency and investment. Competition typically diminishes incentives to invest. It makes it harder for companies to capture returns from their expenditures on investment, R&D and training. Without some market power, companies do not derive adequate benefits from their own investments; they therefore invest too little.

Likewise, mobility of labour helps to match supply and demand for labour but it is not conducive to investment in training. The resignation of employees comes at a high cost to a company that has invested in their training. Conversely, dismissal comes at the expense of the training that employees undertake which is of benefit only in their existing jobs.

This conflict between the efficiency benefits of competition and the investment advantages of monopoly characterised the economic policies of the 1980s. For one of the main architects of these policies, Friedrich von Hayek, monopoly returns were the fruits of endeavour and perfect competition was a state in which competition had ceased to exist.

There is more to it than that. The UK appears to suffer from a worse trade-off between consumption and investment than many other countries. Germany and Japan have created ferocious competition in many industrial sectors while promoting high levels of investment. How have they done this?

A central feature of these economies is the long-term relations that exist within the corporate sector: between companies and their financial institutions, and between companies and their employees. While UK policy has come increasingly to emphasise competition in product, capital and labour markets, other countries tolerate arrangements that limit competition.

Outside the UK and US, companies commonly hold each other's shares as cross-shareholdings. Companies are represented on each other's boards as suppliers, purchasers, providers of finance and competitors. They limit the control that outside investors can exert through dual classes of shares and voting right restrictions. There are serious impediments to outside investors dismissing either managers or employees. As a consequence, hostile takeovers are rare.

These inter-company relations inevitably encourage collusion and discourage restructurings. But such arrangements encourage long-term investments by suppliers, purchasers, financial institutions and employees. Systems of permanent employment appear to be more closely associated with high levels of investment in training than more active labour markets.

The UK economy has a poor trade-off between competition and investment

In sum, a policy of encouraging competition in product, labour, and capital markets may have discouraged the development of the long-term relations between companies, their employees and investors that are necessary for investment. Policy in the 1980s emphasised the wrong model of product, labour, and capital markets: it put too much emphasis on competition and too little on the development of these longer-term relations.

A similar preoccupation with the wrong model afflicted the public as well as the private sector. The Conservative government's approach to improving performance in health and education was simply to introduce a variant of the competitive market model. This is almost entirely inappropriate.

Market failures abound in both health and education. In both cases, users (and frequently suppliers) are ill-informed about quality of services and there are large economies of scale in their provision. Regulation is required to limit the extent to which markets fail and abuses occur. Far from removing the role of government, the reforms are likely to replace the current system of largely self-regulation by members of the profession with more extensive state and other regulation.

The UK economy has an unusually poor trade-off between competition and investment because of the inappropriate structure of its markets. The switch between government intervention and private sector competition reflects continuing dissatisfaction with this trade-off but does little to solve it. We are witnessing a return to greater government involvement in investment (in health, education and transport), and this is likely to increase. This may be welcome, but it would be better to try to identify the features of other countries' markets which give them a better trade-off than the UK's.

Unfortunately, we are a long way from even addressing the right question. Such has been the influence of the principle of competition that it is now accepted almost without question by all political parties.

Similar mistakes are afflicting policy in eastern Europe. Reform is being directed towards the rapid introduction of competitive markets. Less attention is being given to the much slower process of creating structures that promote investment and growth as well as competition and efficiency.

Institutional design will be a central concern of the 1990s. The first political party to grasp this and come up with practical alternatives to what the UK has now is likely to dominate economic policy debate into the next century.

The authors edit the Oxford Review of Economic Policy, which today publishes a special issue on economic policy in the 1980s. Copies available from OUP, Southfield Road, Eynsham, Oxford OX8 1JJ.

FINANCIAL TIMES

Wednesday November 20 1991

Share prices on Wall Street fall sharply as fears of a 'double dip' recession increase

Bush's faith in US economy backfires

By Michael Prowse in Washington

EFFORTS by President George Bush to restore confidence in the US economy and in the administration's economic policies appeared to backfire yesterday.

Share prices fell sharply on Wall Street following reports that Mr Bush judged the economy to be "basically sound" and had ruled out early measures to stimulate growth.

Mr Bush said the economy had "technically pulled out of the recession" but remained sluggish. Mr Michael Boskin, his chief economist, said the White House was likely to revise down growth estimates for this quarter and early 1992.

The administration interpreted a rise in the September merchandise trade deficit as a signal that the economy was slowly recovering. The deficit rose to $6.8bn compared with $6.5bn in August and a trough of $4.1bn in March.

Mr Robert Mosbacher, commerce secretary, said the rise reflected "a growing US economy, with strong purchases by Americans of consumer and capital goods and industrial supplies and materials".

Mr Bush and top advisers are continuing to debate ways of stimulating faster growth. But a "growth package" involving cuts in capital gains taxes has been postponed until the president's State of the Union address at the end of January.

The White House believes that current uncertainty partly reflects public relations problems – the administration's inability to convince voters or markets that its policies are working.

The rise in the trade deficit, however, did not reassure financial markets, which appear worried by more recent signs of economic stagnation.

In October, employment, retail sales and industrial production all failed to grow. The early signs for November are no more encouraging; car sales and consumer confidence fell sharply and claims for unemployment insurance rose, signalling that companies are not yet ready to rehire.

Most forecasters have sharply revised down estimates of growth in the fourth quarter – to about 1.5 per cent compared with 3 per cent a few months ago. Many believe the risk of a "double dip" recession with output falling again is increasingly more likely.

The rise in September's trade deficit reflected a larger increase in imports than exports. Imports rose by $1.3bn to $40.9bn while exports advanced $1bn to $34.4bn.

For the year as a whole, the trade deficit is running at an annual rate of $65.7bn, about a third lower than that of last year.

The trade deficit for the third quarter was $19.2bn, sharply higher than the $13.1bn registered in the second quarter, when the recession apparently began to bottom out. The difference reflected stronger imports, which rose 4.5 per cent between the two periods – a sign of higher domestic demand.

Yesterday's figures, however, undermined hopes that strong export growth will support recovery. Exports fell 1 per cent between the second and third quarters, a reflection of subdued growth in many overseas markets.

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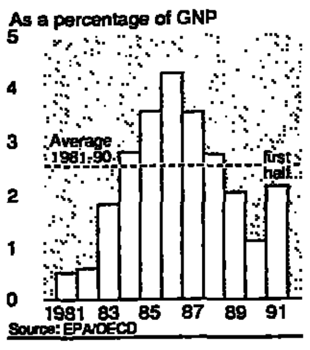
World stock markets, Back Page, Section II

Japan's current account balance

As a percentage of GNP



Source: EPA/OECD

Japanese growth will fall to 2.5% says OECD

By Stefan Wagstyl in Tokyo

JAPAN'S economic growth rate should slow from about 4.5 per cent this year to 2.5 per cent in 1992, largely because of the Bank of Japan's tight monetary policy, according to the OECD.

As a result, inflationary pressures should ease, the OECD says in its report published today. The rate of increase in consumer prices should fall from a forecast 3.2 per cent for 1991 to 2.4 per cent for 1992.

"Business conditions, though less buoyant than at the height of the recent boom, remain consistent with sustained growth," says the OECD in a generally upbeat review of Japan's economic performance.

The authors praise the Bank of Japan for "guiding the economy back to a sustainable growth rate without bringing the expansion to a halt".

They acknowledge that central bank policies have produced a sharp fall in land and stock prices, which has caused bankruptcies among small- and medium-sized property and finance companies. But, the report says, the stock market's partial recovery and the take-up of banks' subordinated debt by other financial institutions "seem to have reduced, if not removed, the danger of a 'credit crunch' induced by the fall in asset prices".

The OECD forecasts a sharp rise in Japan's current account surplus from $35.8bn last year to $68bn in 1991 and $77bn next year. The surplus is unlikely to fall again in the medium term, principally for macro-economic reasons; in the late 1980s the surplus fell because domestic investment rose faster than savings, creating extra demand which was met by an increase in imports.

The report says investment growth is tailing off but Japanese savings rates should remain high, which will limit the scope of a future drop in the external surplus. Nevertheless, the authors say, Japan still has barriers to imports and foreign investment, notably because companies in the keiretsu – the groupings which dominate Japanese industry – tend to import less than non-keiretsu companies.

The OECD urges Japan to apply fair trading laws effectively in order to secure free market access for foreign companies. As in previous years, the report recommends further deregulation, including measures to promote better use of land to increase foreign companies' access and improve economic efficiency.

Available from OECD, 2 rue André-Pascal, 75775 Paris 16.

Editorial Comment, Page 18

Sterling at the bottom of the class

Peter Norman charts a sharp reversal suffered by the UK currency

WHAT a difference a week makes. It is less than a fortnight since UK financial markets were speculating on a possible cut in British bank base rates from their current 10.5 per cent in the wake of the government's autumn economic statement.

But in recent days, sterling has fallen to the bottom of the exchange rate mechanism of the European Monetary System, is no longer moving inside the 2.25 per cent fluctuation margin of the "core " members of the EMS, and some market analysts are talking of a possible sterling crisis.

Just as earlier hopes of lower UK interest rates were overdone, so it may be premature to paint too apocalyptic a picture of the pound's position.

With sterling hovering at about DM2.88 yesterday compared with its DM2.95 central rate, Mr Norman Lamont, chancellor of the exchequer, stressed that the government would do whatever was necessary to maintain sterling in its ERM margins. In line with this commitment, the Bank of England was understood to be intervening discreetly in trading yesterday.

But there is also little doubt that sterling's weakness has created difficulties for Mr Lamont, and many economists believe these will get worse as the next year's general election approaches.

Sterling's sudden vulnerability reflects a mixture of external and domestic factors. Externally, the pound was hit by last week's devaluation of the Finnish markka and the weakness of the dollar after Friday's sharp fall in share prices on Wall Street.

Although the markka is not a member of the EMS or the ERM, it is pegged to the European currency unit and its 12.3 per cent devaluation against the Ecu has cast doubt on the ability of other nations, both inside and outside the ERM, to avoid future currency realignments.

The weakness of the dollar has prompted a flow of funds into the D-Mark. Although sterling has been relatively strong against the US currency, it has fallen against the D-Mark.

The market perception is that the Bundesbank could well increase German interest rates to stifle wage inflation in Germany. Monday's decision by the Bank of France to raise its intervention rate by half a percentage point was taken by some operators as a sign that a German move could come as soon as tomorrow's Bundesbank council meeting in Frankfurt.

At the same time, the recent proliferation of lacklustre UK economic indicators and the growing doubts about the strength of the recovery in Britain have caused investors to take a more bearish view of the pound and the political circumstances surrounding the currency.

The weakness of the recovery has hit the pound in two ways. It has made markets believe the government will seek a cut in interest rates at the earliest possible opportunity, thus giving investors little incentive to bid the currency higher.

It has also fostered doubts about the Conservative government's prospects, so raising uncertainty about the medium-term outlook for sterling, particularly in the minds of foreign investors as the July 1992 election deadline approaches.

On the international front, sterling's cushion already looks thin. The interest differential with Germany on three-month money has shrunk to about 1 percentage point from about 7 points when Britain entered the ERM in October 1990.

Although the Bank of England believes that Britain can avoid following a German interest rate rise, providing it remains modest, this week's increase in French interest rates shows how governments have to accept unpalatable actions to maintain their credibility in the ERM.

Sterling does have the advantage of a 6 per cent fluctuation margin in the ERM and has so far stayed some 1¼ to 2 pfennigs above its effective EMS floor. This is because the Spanish peseta, which is the strongest EMS currency and which also enjoys the extra freedom of the 6 per cent margins, has also been losing ground to the strong D-Mark.

But the ability of the pound to give ground gently to the German currency would be upset if the Spanish authorities matched any German monetary tightening. Then Mr Lamont could face a sterling crisis and be forced to take unpleasant decisions to "do whatever is necessary" to maintain the pound in the ERM.

Thatcher expected to back government in European union debate

Hurd optimistic for deal at Maastricht

By Philip Stephens, Political Editor, in London

A CAUTIOUSLY optimistic assessment of the prospects of a deal on European economic and political union at the Maastricht summit was offered yesterday by Mr Douglas Hurd, the UK foreign secretary, on the eve of an historic two-day debate in the House of Commons.

Mr Hurd's comments came amid indications that Mrs Margaret Thatcher, the former prime minister, is preparing to back the motion setting out the government's negotiating position at the December summit.

As Mr John Major, the prime minister, foreshadowed his speech opening the debate this afternoon with a terse rejection of calls from some Tory MPs for a referendum, Mrs Thatcher was said to be ready to offer conditional support for her successor.

A rough headcount by officials of the ruling Conservative party suggested last night that perhaps only four or five Conservative members of Parliament would defy the government line, with at most 10 more abstaining.

COUNTDOWN TO MAASTRICHT

Mr Norman Tebbit, former cabinet minister and one of the most vocal critics of any agreement on a single currency, had a private meeting with Mr Major yesterday morning in what was thought to herald a temporary truce.

Mr Hurd's assessment, offered to a backbench committee and in an open letter to all Conservative MPs, emphasised that it was "in our national interest to reach agreement on a treaty at Maastricht". He added that: "It is important we should be at the heart of the Community, not shouting from the sidelines".

As the opposition Labour party challenged the government to set out in the debate its positions on the key issues at the summit, Mr Hurd was careful to hedge his optimism. But colleagues said there were signs that Britain's partners were ready to trim their federalist ambitions.

Mr Hurd made it clear that Britain would not sign any treaty which declared a "federal destination" but he was also at pains to emphasise that the structure of the draft treaty on political union does not give substance to that goal. "It is a wistful look forward rather than what is accepted in the text," he said.

He also indicated that Britain's determination not to yield ground in some areas – notably the social charter – was matched by flexibility in others. The government would accept a provision which would allow Community nationals living in Britain to vote in local and in European elections, arguing that it would add only 500,000 to an electorate of more than 40m people.

It was also ready to consider a limited addition to the powers of the European parliament and consider some extension of the Community's competences.

Mr Hurd stressed there were still objections to many of the provisions of the draft treaty but he sought to allay fears that the proposals would undercut Britain's freedom to act independently in foreign or defence policy.

UK gives ground on common foreign policy, Page 3; Labour battle cry, Page 10; Editorial comment, Page 18; The Labour party's conversion, Page 18

Soviet foreign debt agreement brings hope of full aid package

By Leyla Boulton in Moscow

NINE out of 12 republics yesterday reached tentative agreement on servicing the Soviet Union's foreign debt. If finalised in the next few days, this will clear the way for a package of western financial help.

The deal with the G7 leading industrialised nations fell short of its original objective since three republics – Ukraine, Azerbaijan and Uzbekistan – dropped out of the process.

Republican representatives were due to work through the night to fine-tune a mechanism to ensure that money will be made available to a centralised fund for servicing the debt. *They are due to hold a final meeting with the G7 representatives this afternoon.*

G7 officials expect the financial package to be available within days but in return they expect the republics to make their own funds available quickly and to have in place an effective mechanism.

Vneshekonombank, the bank which services the foreign debt of $60bn-$80bn, has been on the brink of defaulting.

The G7 package foresees a bridging loan of $1bn from the Bank for International Settlements, plus the deferral of principal payments owed to Paris Club creditor countries for the rest of 1991 and possibly the first quarter of 1992.

The package – together with Soviet gold reserves as collateral for the bridging loan – amounts to more than $2bn.

A default would ruin the Soviet Union's already shaky creditworthiness, and make it difficult for republics to obtain new credits. The nine republics are due to form an expert committee to divide up the former Soviet Union's assets, as well as its debt.

Mr Vitold Fokin, Ukrainian prime minister, had argued that the assets should first be divided among the republics before an agreement with the G7.

● The US yesterday dangled the offer of between $1.2bn and $1.5bn of loan guarantees for food aid to the Soviet republics, saying an announcement was likely in the next three weeks, adds Lionel Barber in Washington.

Survivors of Vukovar

Continued from Page 1

come up to us. They threw out the clothes of little Aleksandar. They ordered us outside during the fiercest shelling. Because we were Serbs, Croat soldiers threatened to slaughter us. As the Croats realised they were losing the battle for Vukovar, we were told by them, that we would be killed in any case by the army when it finally came."

All the refugees described their terror at the prospect of the conquering force. They had imagined instant death after their months in hell.

Mrs Milka Mlinaric, aged 29, is a Croat. She and her daughter were especially terrified. "I don't know why this war was fought. I don't know if it was a defeat for Croatia. Ask the government", she says.

THE LEX COLUMN

London between two fires

Despite the palpable air of nervousness in the UK equity market last night, it is worth retaining a sense of perspective. The market is worried about Wall Street and sterling in roughly equal proportions. *But while the renewed slide on* Wall Street is undoubtedly trying on the nerves, it was argued for some time in London that Wall Street was overrated by comparison with the UK market. It might, therefore, *seem irrational for London to* follow Wall Street down. It could also be argued that the time for knee-jerk correlation with the Dow is passing, since the UK is in a single European market and moving towards a single European currency.

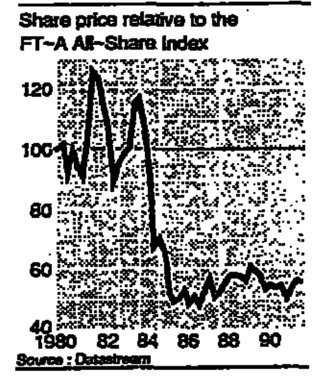
The snag may be that investors are worried not so much by Wall Street's behaviour as by the renewed economic deterioration which may lie behind it. In the UK as well, the third-quarter figures figures for GDP are scarcely encouraging, with manufacturing output flat and total output, excluding oil and gas, slightly down.

Meanwhile, sterling's weakness obviously jeopardises further interest rate cuts and reduces the Tories' chances of re-election. Here again, it could be argued that the market was never counting on much more than a final half-point cut by the spring, which could scarcely have much effect on the real economy. As for the Tories' chances, they were scarcely cast-iron to begin with. But whereas the market might have reconciled itself to UK interest rates having reached bottom, the possibility of them rising again before the election is another matter, in terms of the real economy as well as politics. The twin threat of Wall Street and sterling is all too plain: it is not clear what good news there might be to offset it.

FT-SE Index: 2,463.1 (-39.8)

Thorn EMI

Share price relative to the FT-A All-Share Index



Source: Datastream

Currencies

It seems to be time for sorting out the sheep from the goats among Europe's currencies. Sterling is no longer simply caught in the backwash of a rising D-Mark. The French interest rate rise on Monday has left it exposed at the bottom of the ERM. For the first time since sterling joined the system there is a whiff of crisis in the air, even though the currency is still above its peseta-determined floor.

With a bit of luck the authorities may be able to ride out the storm, at least for the moment. Part of the trouble is a market assumption that Germany, too, will raise interest rates tomorrow. That could well turn out to be premature, given the fragility of world stock markets. Germany was widely blamed in the US for raising rates just ahead of the 1987 crash. It may be doubly reluctant to do so now. The D-Mark has already appreciated by 5 per cent against the dollar over the past month.

The UK authorities would then be proved right in having let sterling slip through DM2.8844, its theoretical floor under narrow bands. By delaying serious intervention till after a German rise had failed to materialise, the Bank of England would ensure that speculators burned their fingers – a classic central banking ruse.

But even this outcome would scarcely solve the underlying problem. Expectations would remain of a German rate rise before the end of the year. The French rate increase is a gesture of machismo which threatens to leave the UK limping into the Maastricht summit. No participant with a currency in need of support could expect to be taken seriously there. President Mitterrand could thus be hoping to test Mr Major's readiness actually to raise rates if necessary. But if sterling did reach its floor as a result of a German rate increase, the UK's first line of defence would doubtless be to beg Spain to create more leeway by cutting peseta rates.

Anglian Water

Anglian Water has already thoroughly staked out its claim as a model utility. It takes no chances with the regulator. It alone in the sector has always had net debt and a rising interest charge. Further, yesterday's half-year results showed a performance still almost exactly in line with the inflation-linked forecasts made at flotation, even down to the 8.6 per cent interim dividend increase. How can a company like this be subject to the same risks as, say, Severn Trent or Welsh Water?

The answer is, all too easily. If Anglian is a model, the obvious danger is that it will turn out to be like a farm left behind by an agricultural revolution. The more conservative water companies cannot ignore the antics of their siblings, whether that means challenging Ofwat at every turn or diversifying away from water. Whether they should follow suit is another matter.

Anglian's shareholders have been served a version of this dilemma in the form of the company's comments on its pace of diversification. Management seems to have decided that, like it or not, it must go with the flow towards the faster growth of non-regulated earnings. But, as its rivals have discovered, the biggest hurdle is simply the lack of obvious takeover targets. The waste management industry has already shown itself less than *foolproof*. The more Ofwat turns the screw on the regulated water business, the more it risks driving companies on to dangerous ground. Perhaps Anglian should re-consider the virtues of its model status after all.

Thorn EMI

On the basis of yesterday's interim figures, the case for Thorn EMI is easily made out. Here is a company with 40 per cent of its turnover in retailing of one kind or another, with a further £250m-plus of sales in the defence industry. Yet it is likely to maintain its profits roughly unchanged this year. If it can do this well in a recession, what might it not do in an upturn?

The converse case is that Thorn has managed to concentrate on two successful but rather dull businesses – music and TV rental – while sticking with a ragbag of largely unprofitable left-overs from its industrial history. The company makes much of the fact that both rental and music publishing are strongly cash-positive businesses with the characteristics of an annuity. The resulting quality of earnings is undeniable; the question is rather where the growth is coming from. At yesterday's 767p, the shares are at the upper end of an historically narrow range relative to the market. There seems little reason for them to break out of it.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	61	Berlin	C	5	41	Caracas	-	-	-	Faro	F	18	64	Islamabad	F	23	73
Algiers	F	21	70	Biarritz	C	10	50	Casablanca	F	20	68	Florence	R	11	52	Istanbul	F	13	55
Amsterdam	C	5	41	Bombay	S	33	91	Chicago	C	14	57	Frankfurt	R	10	50	Jakarta	C	30	86
Athens	S	18	64	Bordeaux	R	9	48	Cologne	C	10	50	Geneva	R	11	52	Jersey	S	8	46
Bahrain	S	25	77	Boulogne	R	5	41	Copenhagen	C	3	37	Gibraltar	F	18	64	Johannesburg	S	22	72
Bangkok	F	33	91	Brussels	R	8	46	Corfu	S	16	61	Glasgow	S	7	45	Lagos	C	22	72
Barcelona	C	16	61	Budapest	C	6	43	Dallas	C	18	64	Helsinki	R	0	32	Lisbon	C	14	57
Beirut	C	21	70	Buenos Aires	C	27	81	Dublin	C	7	45	Hong Kong	S	23	73	London	C	8	46
Belfast	F	7	45	Cairo	S	25	77	Dubrovnik	-	-	-	Innsbruck	S	7	45	Los Angeles	S	11	52
Belgrade	S	9	48	Cape Town	F	17	63	Edinburgh	S	6	43	Inverness	S	5	41	Luxembourg	C	6	43

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	21	70	Milan	C	8	46	Nicosia	S	22	72	Salzburg	S	7	45	Tenerife	F	23	73
Madrid	C	12	54	Montreal	C	5	41	Oporto	F	13	55	San Francisco	S	8	46	Tokyo	S	19	66
Majorca	F	18	64	Moscow	F	1	34	Oslo	S	0	32	Seoul	C	9	48	Toronto	S	7	45
Malaga	F	18	64	Munich	S	7	45	Paris	R	5	41	Singapore	R	29	84	Tunis	S	22	72
Malta	F	21	70	Nairobi	-	-	-	Peking	S	8	46	Stockholm	Sn	1	34	Valencia	F	18	64
Manchester	C	7	45	Naples	R	18	64	Prague	Fg	2	36	Strasbourg	C	11	52	Venice	R	9	48
Manila	C	32	90	Nassau	F	27	81	Reykjavik	F	-1	30	Sydney	S	26	79	Vienna	C	2	36
Melbourne	C	24	75	New Delhi	S	22	72	Rhodes	S	19	66	Taipei	R	23	73	Warsaw	C	5	41
Mexico City	C	24	75	New York	S	8	46	Rio de Janeiro	F	33	91	Tangier	C	17	63	Washington	C	8	46
Miami	S	23	73	Nice	R	12	54	Rome	R	17	63	Tel Aviv	S	23	73	Zurich	F	10	50

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

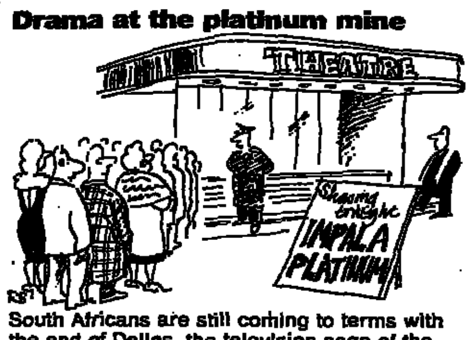
Anglian Water keeps to price policy

Anglian Water, geographically the largest of the 10 privatised UK water companies, said it had no intention of moderating its price increase next year as it unveiled a 9 per cent rise in interim pre-tax profits, to £91.9m ($162.6m). Page 28

Poor picture in Australia

Three of Australia's four national banks will reveal over the next few days how badly they have been affected by recession and a tidal wave of bad debts and non-performing loans. It is not likely to be a pretty picture. Most observers expect the banks to show little growth in interest income and assets for the year to September 30. The banks are also expected to suffer further big write-offs against bad debts. Page 24 eur

Drama at the platinum mine



South Africans are still coming to terms with the end of Dallas, the television saga of the Ewing family, after a run of 12 years. They need not look far for replacement drama. The real life story of Impala Platinum, the world's second largest platinum producer, would be the envy of any scriptwriter. Superficially, Impala has problems with its workers. But these hide a political argument about the sovereignty of the Bophuthatswana homeland. Page 30

Insurers look to the Netherlands

Investors sceptical about UK insurance stocks could usefully take a look at their Dutch counterparts who could be poised for a period of strength. Although the leading Dutch companies have had a patchy year so far, market sentiment towards them is beginning to turn, encouraged by evidence that they are in better shape than insurers elsewhere in northern Europe. Back Page

UK brewer up 14%

Young & Co's Brewery, the south London-based independent brewer, lifted pre-tax profits by 14 per cent to £3.07m ($5.4m), in the half year to September 28. The figures were achieved on turnover 9.5 per cent higher at £32.1m. Trading profit rose 8 per cent to £3.84m. "These are good results during a recessionary period," claimed Mr John Young, chairman. Page 28

Woes of a machine tool maker

The UK machine tool industry is grappling with its second year of recession and Mr Mike Bright, chairman of FMT Holdings, one of the most advanced producers, is critical of the government's handling. "It is a tragedy that employees in the forefront of technology – the trainers of the future – are lost while the government spends millions on training programmes," he said. Page 27

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
BMW (Br)	478	–	6
Didier-Werke	178	–	6
Fg Kugelfischer	217	–	6
Linotype-Hell	351	–	5
MAN Pref	293.5	–	4.3
Viag	382.3	–	4.2
NEW YORK ($)			
Rises			
Salomon	28½	+	½
Falls			
Amer T & T	35⅝	–	1⅜
Compaq	24⅜	–	1
Liposome Tech	9⅛	–	⅝
Medimmune	38½	–	4½
Xoma	18	–	1

PARIS (FFr)			
Rises			
Industrielle	8600	+	560
Falls			
Axa	835	–	44
BIC	648	–	24
Bancaire Cie	473	–	34
Beghin-Say	608	–	27
GTM-Entrepose	348	–	18.8
TOKYO (Yen)			
Rises			
Japan Syn Rbbr	690	+	75
Kyodo Shiryo	584	+	56
Morozoff	1240	+	110
Okamoto Inds	1020	+	100
Sagami Rubber	1170	+	100
Toyo Sanso	1360	+	170

New York prices at 12:30.

LONDON (Pence)			
Rises			
Airtours	825	+	18
Readicut	70	+	4½
Trace Comps	32	+	6
Falls			
Alex Workwear	104	–	10
Amstrad	30	–	3½
BAT Inds	614	–	18
Brit Steel	78½	–	5½
Cable & Wire	535	–	20
Conroy Pet	58	–	6
Dowty	172	–	8
Dunhill	450	–	15
Goldsmiths	37	–	4
Graham Wood	45	–	5
Kwik Save	543	–	14
Maxwell Comm	46	–	14
Midland Bank	222	–	11
Ratners	44	–	3
Redland	474	–	19
Sedgwick	220	–	14
Smurfit	285	–	43
WB Inds	29	–	3
Wellcome	889	–	29
Wills Corroon	254	–	16

Hoechst sees no upturn as profits fall

By **Andrew Fisher** in Frankfurt

HOECHST yesterday began the autumn results season of the German chemical groups by reporting a 22 per cent slide in pre-tax profits for the first nine months to DM1.9bn ($1.2bn) and held out little hope of an early improvement.

Mr Wolfgang Hilger, chief executive, said the full year's profits would be down by a similar percentage. October, which usually brings an upturn in business after the holiday period, was disappointing. This year, the autumn month was not a "golden October" in profit terms. "We haven't registered any positive signals and the order inflow is sluggish," he said.

Third-quarter profits also fell 22 per cent to DM494m. This decline was less steep than in the second quarter when the pre-tax figure dropped 34 per cent to DM591m, but it was worse than the DM500m-DM550m expected by some analysts.

Hoechst operating results, excluding stakes in other companies and financial earnings, showed a loss in August, Mr Hilger said. September, however, saw a return to the black. He hoped the fourth quarter would not be as bad as the third, "but the improvement will not be very impressive". Beyond that, he added, "our optimism is cautious".

BASF and Bayer report next week. In the second quarter, BASF profits rose 3.3 per cent and those of Bayer fell 1.4 per cent. Mr Kiran Bhojani, an analyst with M.M. Warburg Bank in Hamburg, said Hoechst's fourth-quarter pre-tax result should be at least DM700m compared with DM768m a year ago; year-end accounting factors usually make this a strong quarter.

Mr Hilger said the main sources of strength this year were the German and Asian markets, but even here demand showed signs of weakening in the third quarter. Other western European markets, such as the UK and Scandinavia, were weak and in eastern Europe, sales fell nearly 30 per cent.

In spite of talk of a recovery in the US market, Hoechst had seen few signs of demand improving. "We must accept the fact that the economy in the US will only recover slowly," said Mr Hilger.

Plastics, fine chemicals and dyes, fibres, and basic chemicals turned in worse results, but pharmaceuticals showed a strong improvement, spurred by rising domestic demand.

Group turnover rose 4.8 per cent to DM34.8bn in the first nine months, though only 3.3 per cent without additions such as the newly consolidated Celanese Mexicana. Sales volume was 1.8 per cent higher, with prices up 1.1 per cent while currency changes had little impact.

Mr Hilger declined to make a dividend forecast, saying Hoechst had to weigh up the opposing factors of high German real interest rates – which meant shareholders wanted a correspondingly high dividend return – and the profits setback. The company held its payment at DM13 last year, in spite of a 20 per cent drop in net income to DM1.7bn.

Banks seek standstill on Maxwell family loans

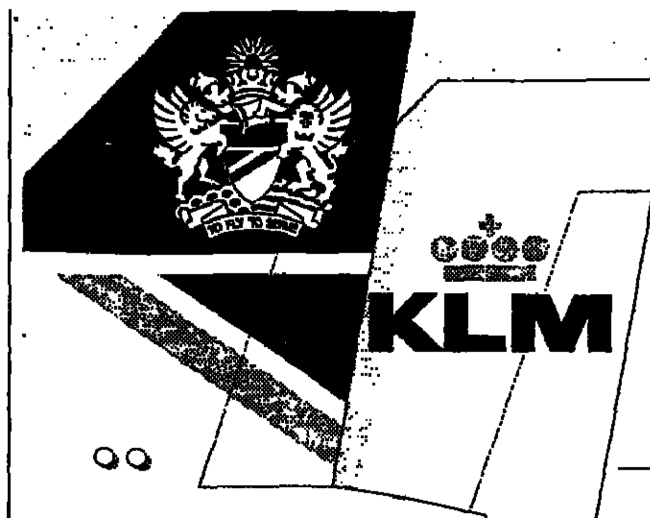
By **Robert Peston** in London

NATIONAL Westminster Bank and Lloyds Bank are trying to persuade 20 banks to freeze principal repayments on £800m ($1.4bn) of loans to the Maxwell family's private companies.

The standstill – as such a freeze is described by bankers – would be for six months, to give the Maxwell family time to draw up a plan to repay the loans.

This attempt by NatWest and Lloyds, whose exposure to the family is about £150m and £80m respectively, to initiate a formal restructuring of the loans, underlines the severity of the crisis faced by the Maxwell family, following the death a fortnight ago of Mr Robert Maxwell.

Yesterday, shares in Maxwell Communications Corporation fell from 60p to 46p in London. The reason for the fall was the disclosure on Monday that the Serious Fraud Office had begun an inquiry into a £55m loan made by Swiss Bank Corporation (SBC), to Adviser (188), a private company controlled by the Maxwells. That loan is now in default because SBC has not been able to obtain the shares it was promised as collateral.



1990/91 (year end March 31)	British Airways	KLM
Turnover ($bn)*	8.59	3.40
Pre-tax profit/loss ($m)*	226.1	-262
Passengers carried (million)	25.59	7.5
Overall load factor (scheduled service)	66.8%	69.6%
Average number of staff	52,809	28,660
Average tonne kilometres per employee	252.8	280
Total number of aircraft	230	81

* Turnover and profit/loss converted to US dollars at March 31,1991 exchange rate

Charles Leadbeater looks at models for merger

BA looks at going Dutch with KLM

British Airways and KLM, the Dutch airline, have had two alluring models in mind during their merger talks over the past month. Those role models are also Anglo-Dutch groups – Shell, the oil company, and Unilever, the consumer goods group – which are widely regarded as shining examples of how cross-border mergers can succeed.

What are the chances that BA and KLM will be able to emulate in the airline business what Unilever and Shell have achieved in consumers goods and oil?

The forces which have brought BA and KLM together are considerable. The savage downturn in the airline industry since the Gulf war has sliced through profits, forced companies into deep cost cutting and added urgency to searches for partners.

European airlines are forming larger groupings to prepare for the competition when the European air transport market is deregulated in 1993. These groups could pose a long-term threat to BA and KLM, which are the lowest cost and leading European long-haul carriers.

Lufthansa, the German carrier, is collaborating with Air France, which has consolidated its position within the French industry through its acquisition of UTA, the independent long-haul carrier, and Air Inter, the domestic airline. Air France may also take a stake in Sabena, the Belgian carrier. Meanwhile SAS of Scandinavia is in talks with Swiss Air.

One of the aims of these new groupings is to establish airports such as Charles de Gaulle in Paris and Berlin's Tegel, as competitors to Amsterdam's Schiphol and London's Heathrow to serve long-haul routes, particularly to north America.

The Europeans are also facing more competition from the US. Large US groups, such as American Airlines and United Airlines which dwarf the European airlines, are becoming increasingly competitive on the most profitable transatlantic routes, particularly since they received greater access to BA's base at Heathrow.

A merger between KLM and BA would help alleviate some of the pressures the two companies face. A merged group would also be in range of matching its largest US competitors. In 1990 BA flew 66.8bn revenue passenger kilometres, a measure of how many passengers it carried multiplied by the distance covered, while KLM flew 26.4bn.

A BA/KLM group would match Delta, the third largest US carrier, which last year flew 94.9bn revenue passenger kilometres, but it would still be well behind American at 124bn and United at 122bn.

The group would achieve considerable economies of scale by cutting staff and the cost of computer systems. BA and KLM already jointly use Terminal Four at Heathrow and by joining forces with KLM, BA could escape congestion at Heathrow by gaining greater access to the expanding Schiphol airport.

Neither airline has a large domestic base so both have had to expand into international markets. Together they would form a formidable force in long-haul services, particularly to north America and the Far East. For BA, an attraction will be the possibility that together they might draw in Northwest Airlines, the US group, in which KLM has a stake.

In spite of the attractions, international airline mergers face huge political and regulatory obstacles. How might a BA and KLM deal, modelled on Shell or Unilever, overcome the obstacles?

Unilever, formed in the 1930s, is based on two legally separate companies in the UK and the Netherlands, which have separate shareholders.

These companies separately own roughly equivalent assets, the British in the UK and the Commonwealth, and the Dutch in continental Europe and the rest of the world.

The two companies are bound by an equalisation agreement, under which the profits from the two national companies are pooled. Shareholders are paid dividends from this pooled profit. The national companies also guarantee one another's debts to reassure bankers. Unilever is run by a single management team because the boards of the two national companies are identical.

The Unilever merger, however, was between two companies of about equal size. But BA, with a market capitalisation of about £1.6bn ($2.8bn) is much larger than KLM, which is valued at £650m.

According to Mr John Campbell, an analyst at County NatWest, the stockbrokers, who has studied Unilever and Shell, the imbalance between airlines may make the Shell model more applicable.

Shell has two national parent companies, the dominant Royal Dutch Shell and the British-based Shell Transport and Trading. Beneath them is a holding company which owns all Shell's assets. The holding company, which is owned 60 per cent by the Dutch and 40 per cent by the British, pays dividends to the parents. Mr Campbell said: "This would allow BA and KLM to manage their assets and staff jointly to get economies of scale but they would retain separate national identities, which would help politically."

This could help avoid an obstacle which would block a full-scale merger or takeover. Airlines are granted routes bilaterally, between countries. KLM is allowed by bilateral agreement to fly between the Netherlands and the US.

It is unlikely that regulators would allow BA to acquire these Dutch routes through a takeover. A structure modelled on Shell may keep the route system of the national companies intact, while allowing the joint management of the service of those routes. It is thought that BA and KLM's large cargo operations would be managed separately from the passenger services.

Even with the ingenuity of a modernised version of either the Shell and Unilever structure, a merger would face tremendous obstacles. Political opposition in the Netherlands, fed by unions fearful of job losses and managers worried they would be eclipsed by the British, could put pressure on the government to use its 38 per cent stake in KLM to block a deal.

The sorry tale of US airline mergers, such as Northwest's deal with Republic, highlight the tremendous management difficulties in merging two large groups effectively.

Most importantly, any deal would be closely vetted by the EC competition authorities, egged on by KLM and BA's competitors. It would go right to the heart of the debate within the EC over the balance between deregulation, to make European markets more competitive, and industrial policies to promote merged European companies large enough to compete with their US counterparts.

It may be that the concept of an Anglo-Dutch merger based on the either the Shell or Unilever model, is an idea whose time has come, and gone.

Fokus Bank falls to NKr1bn as property market weakens

By **Karen Fossli** in Oslo

FOKUS BANK, Norway's third biggest bank, suffered heavy net losses of NKr1bn ($158.5m) for the first nine months of the year.

Although the bank incurred a NKr1.2bn loss in the same period last year, the figures are not comparable – in July Fokus merged with Rogalandsbanken and recently switched to a quarterly reporting standard.

With the volume of non-performing loans continuing to rise during the nine-month period, Fokus was forced to increase credit-loss forecasts for the year to NKr1.6bn from NKr1.3bn.

The bank estimated that by the end of the third quarter, its portfolio of non-performing loans totalled NKr2.87bn. No comparative figure was given.

Provisions for credit losses in the nine-month period rose to NKr1.90bn from NKr1.15bn. The bank warned that "there is still a need for a further write-down of approximately NKr300m" of its property portfolio.

"The continued weak property market has resulted in considerable losses on property companies and a further devaluation of collateral as property held for other loans," Fokus said.

The bank said the increase in loan-loss provisions was due mainly to problems within a group of small and medium-sized corporate clients, and within Norway's salmon farming industry.

Group operating income in the nine-month period fell to NKr396.8m from pro forma NKr466m. The bank reduced securities losses in the period to NKr19.2m from NKr127.7m.

Group operating expenses were reduced to NKr1.16bn from NKr1.82bn, and by 7 per cent in the third quarter. Fokus achieved a nine-month profit of NKr184.3m, before credit loss provisions, compared with a NKr4m loss in the same period last year.

The bank said it had achieved an equity ratio of 6.4 per cent on risk-weighted assets of NKr37.7bn. During the third quarter an earlier NKr1.5bn guarantee was converted to preference capital, and Fokus received an additional capital injection of NKr650m in preference capital from the guarantee fund of the commercial banks.

To qualify for the injection of preference capital, the bank was earlier ordered by the guarantee fund to cut costs by at least 20 per cent during 1992.

To this end, the bank in December will present the guarantee fund with a plan to reduce assets.

Eagle Star loss rises to £284m

By **Andrew Bolger** in London

FRESH EVIDENCE of the grim state of the British housing market emerged yesterday when Eagle Star, the insurance subsidiary of BAT Industries, reported mounting losses on its domestic mortgage indemnity business.

Eagle Star made a pre-tax loss of £284m ($502.7m) in the nine months to September, compared with a loss of £248m in the same period last year. Further property repossessions by lenders during the third quarter led to a loss of £48m on domestic mortgage insurance business.

Sir Patrick Sheehy, chairman of BAT, said "nothing new has come out of the woodwork" and provisions were likely to continue at current levels for the rest of this year and the first quarter of next.

He declined to look further ahead, but said: "We do not believe housing will lead us out of the present recession."

Mortgage indemnity claims by building societies and other lenders are triggered when the proceeds from the sale of a repossessed property are less than the value of the outstanding mortgage.

The underwriting loss of £169m on this business for the nine-month period included £43m for earlier-year claims.

Eagle Star, which saw the departure of chairman and chief executive Michael Butt in September, accounts for about 17 per cent of the domestic mortgage indemnity market. It is providing for an average claim of £16,000 per property on repossession.

Eagle Star is continuing to try to negotiate better terms with property lenders, mostly building societies. It wants to limit its liability and a better division of risk with the lender.

Sir Patrick said if Eagle Star failed to agree new terms by the end of the year, it was prepared to leave the business.

Eagle Star said losses on other underwriting business – such as motors, buildings and house contents – remained unacceptably high, as recent premium rate increases would take time to feed through.

Overall, BAT's tobacco businesses and other insurance operations in the US and UK helped to increase group pre-tax profits 11 per cent to £662m. Turnover rose 5 per cent to £14.25bn.

Results, Page 28

Thorn EMI buys the rest of Chrysalis for $30m

By Richard Gourlay in London

THORN EMI, the UK music and rentals group, yesterday bought the 50 per cent of the Chrysalis Records joint venture which it does not already own for $30m in cash.

The group will also pay Chrysalis Group $25m to take out group loans and $2m in fees for the services of Mr Chris Wright, the chairman of Chrysalis Group who will become non-executive chairman of Chrysalis Records.

Chrysalis will retain its identity as a label, but Thorn EMI will amalgamate back office operations in the US with an annual saving of between $9m and $10m.

Mr Colin Southgate, Thorn EMI chairman, said the total cost of acquiring Chrysalis was $150m for a company with sales of $170m.

Thorn EMI paid $96.6m for its half-share of the loss-making records division in 1989.

Following press speculation, Mr Southgate said Thorn EMI had held no detailed discussion with Mr Richard Branson's Virgin Group about a possible purchase of its record business but that he could not deny it would fit well into Thorn EMI.

Thorn EMI also announced pre-tax interim profits down from £96.2m to £94.9m on sales almost unchanged at £1.76bn. Earnings per share fell from 19.8p to 18.5p and the group is to maintain its interim dividend of 9p.

Profits were supported by a strong performance in the music business where trading profit rose 12 per cent to £52.3m in its best first half. Productivity in music recording improved and the profitability of music publishing increased.

The rentals business faced depressed conditions and trading profits fell 18 per cent to £57.2m. Business was particularly depressed in southern Europe Profits from property sales increased by £12.7m but was offset by a £6.6m reduction in patent income. This was expected to rebound in the second half following the successful conclusion of litigation in the US with a Japanese company. The group also reported an extraordinary profit of £42m from the sale of Software to its management.

Mr Southgate said he was confident Thames, the television group, which is controlled by Thorn EMI, would develop into a successful independent production company after its recent failure to win an ITV franchise.

Balance sheet gearing during the year was virtually unchanged at 40 per cent on debt of £480m, excluding the $200m of Auction Market Preferred Shares.

Lex, Page 20

Steel slump forces shake-up at Ovako

By Robert Taylor in Stockholm

THE OVAKO steel group, jointly owned by SKF, the world's leading roller bearing company, and Metra, the Finnish industrial group, is being split up because of recession in the world steel industry.

Over the first nine months of this year, Ovako made heavy losses which contributed to SKF's poor SKr22m ($3.74m) profit for the third quarter. Return on capital at Ovako was 3 per cent compared with 17.9 per cent for the first nine months of 1990. In the first half, losses totalled SKr346m and SKF said the deficit for the whole of 1991 could be double that figure.

The two companies, which united their steel operations in the Ovako group in 1986, will split their operations into two wholly-owned subsidiaries, Ovako and Imatra Steel.

The new Ovako will be completely owned by SKF, with annual sales of SKr4.5bn and 4,500 employees based in Sweden, the US and France.

SKF said Ovako would adopt a role as a speciality steel company next year, focusing on producing ball-bearing steel. In the longer term, and to strengthen the company's development, Ovako would seek co-operation opportunities with international companies in the same industry. The closure of Ovako's loss-making plant at Lulea in northern Sweden could be ruled out and its future would be decided by the end of the year.

Imatra Steel, comprising the old Ovako's Finnish operations and forges at Karlskrona, in Sweden, will be wholly-owned by Metra with annual turnover of SKr620m and 1,300 employees. In a statement, Metra said that Imatra would concentrate on production of easily machinable steels for the vehicle and engineering industries. Up to SKr500m has been invested in modernising Imatra's production in recent years.

Metra said that it was seeking financial assistance from the Finnish government to protect Imatra's continuing activities. State investment was vital for Imatra's future.

Favourite emerges in Interhotel bid

By Leslie Colitt in Berlin

MR ERICH Sixt, the Munich-based car rental operator, has surprised international hotel operators by out-bidding them for east Germany's Interhotel chain with a DM2.5bn ($1.52bn) offer for the former state company.

Rival bids by the larger hotel chains fell just short of DM2bn, but three other German contenders equalled his offer. Backed by Bayerische Vereinsbank of Munich, Mr Sixt is favoured to gain control of 29 hotels from the Treuhand agency, making him the biggest hotel operator in Germany.

It will be by far the largest sale of an east German company since the privatisation agency was founded in February 1990.

The Treuhand's executive board recently recommended Mr Sixt's bid to the managing board, which is to meet this Friday. However, Treuhand officials said yesterday that a final decision on the bid could be postponed. An official said that parallel negotiations continued this week with other contenders.

"It would be insane not to use the highest bid to obtain better conditions from rival bidders. This could be the first round," he suggested. Three other contenders had entered similar bids, but could agree to invest more in the hotels. Mr Sixt has pledged DM1bn in investments for Interhotel and aims to keep the chain intact.

Terry Kirk

Interhotel's Hotel Stadt in east Berlin: one of the 29 being sold by Treuhand

The rival Klingbeil Group of property developers in Berlin wants to bring in international hotel operators to manage Interhotel's flagship hotels.

Another contender, Mr Roland Ernst, a Heidelberg property developer, formed a consortium with Dresdner Bank, while Maritim hotels of west Germany also placed a high bid.

Mr Piers von Simson, who represents S.G. Warburg, which has managed the sale of Interhotel for the Treuhand, said that while the bids were very close, the deciding factor was likely to be the other conditions which the bidders were prepared to meet.

Nonetheless, the top bids represented a higher price – DM250,000 per room – than it would cost to complete a room in a newly-built four-star hotel. The winner of the contract will obtain the Grand Hotel in east Berlin, one of the most luxurious in Germany, in addition to 28 hotels of varying quality in east German cities. Four hotels in the Interhotel chain were excluded from the package and are to be sold individually, including the new Dom Hotel in east Berlin and the historic Elephant Hotel in Weimar.

One of the Treuhand's first steps last year was to revoke an operating contract between Interhotel and the Steigenberger hotel group in west Germany. It virtually ensured that Steigenberger would have gained control of Interhotel for a modest initial investment.

Strong interest in Greek cement group sale

By Kerin Hope in Athens

SIX LEADING European cement-producers are showing interest in the sale of Heracles General Cement, the star attraction of Greece's privatisation programme.

The Industrial Reconstruction Organisation (IRO), the Greek privatisation umbrella, is offering its entire 69.8 per cent stake in the company, Europe's biggest cement exporter.

Another 15 to 17 per cent belongs to various state-controlled Greek banks, while the rest is listed on the Athens Stock Exchange and held by local and foreign investors.

IRO has opted for a trade sale rather than a sale through the Athens bourse, where Heracles is the third biggest listed company, with a value of Dr135bn ($720m). The government wants to speed up revenue collection from privatisation; officials hope the transaction will be completed by March.

Morgan Stanley International is financial adviser on the sale, together with Eteva, a public-sector Greek investment bank.

Holderbank of Switzerland, the world's largest cement-maker, and two big French producers, Lafarge Coppée and Ciments Français, are understood to be potential bidders.

Ciments Français last year acquired Halyps Cement, the smallest of the four Greek producers, and also owns several Greek quarries. Other names mentioned are Italcimenti, Hispa Cement and Blue Circle.

Heracles, which employs 2,100 people, is easily the biggest Greek producer, with a local market share of 44 per cent. About half its yearly production of around 6m tonnes is exported.

"We feel much of our competitive edge lies in exports since we have our own shipping fleet and sell worldwide, from California to Thailand," said Mr Stelios Stavridis, Heracles' chairman.

After a record year in 1990, when net profits soared by 88 per cent to Dr4.79bn on turnover of Dr47.4, earnings growth is being maintained this year. Mr Stavridis forecasts net profits of Dr6.1bn in 1991.

Heracles recently strengthened its balance sheet by selling Elvim, a subsidiary which makes power transformers, to Merlin Gerin of France for Dr1.7bn.

Supply problems at the Volos plant in central Greece have been solved, with a new limestone quarry due to be opened early next year. "We think the Almyros quarry should feed the plant for at least 20 years. Barges will ship raw material by sea to help reduce environmental impact," Mr Stavridis said.

Heracles' second plant at Aliveri, on Euboea island, has the advantage of an adjoining quarry and its own deep-water loading facilities.

COMPANY NEWS IN BRIEF

Court to examine Wagons-Lits case

THE BRUSSELS commercial court confirmed yesterday that it would examine on Friday minority shareholders' legal challenge to the FFr2.2bn ($390m) bid for Wagons-Lits, the Franco-Belgian travel group, writes Andrew Hill in Brussels.

A group of disgruntled institutional investors is asking Accor, the French hotels group, for more information about its bid for Wagons-Lit. The summary proceedings will be the first of three separate court cases against Accor and Société Générale de Belgique, its partner in the takeover.

If Accor and SGB do not meet the investors' objections, the dissidents are likely to press for the offer to be increased from BFr8,650-a-share to BFr12,500, the price at which the two companies bought their 27 per cent stake in Wagons-Lits last year.

Separately, the European Commission said yesterday it had begun a preliminary inquiry into the takeover.

The combined turnover of the companies involved crosses the threshold above which mergers have to be examined by Brussels.

The initial investigation will last a maximum of four weeks. After this, the Commission could decide to launch a four-month inquiry to examine in detail whether the merger is likely to hamper competition in the EC market.

■ Tabacalera, Spain's state-controlled tobacco manufacturer and distributor, which is 33 per cent foreign-owned, has raised its third-quarter profits by 17.1 per cent to Pta17.1bn ($168.5m), writes Tom Burns in Madrid.

The company had declared profits of Pta14.6bn over the same period last year after setting aside Pta2bn for provisions.

The higher profit figures come at a time when Tabacalera is negotiating the acquisition of a major stake in Elosua, a big domestic edible oils producer, after the government had blocked a similar bid on the company by Italy's Ferruzzi group.

Tabacalera is also understood to be seeking joint ventures with the UK's Rothmans group, which paid Pta6.9bn for 3.9 per cent of the Spanish company's stock in June.

Tabacalera has existing agreements with British American Tobacco (BAT) and with Philip Morris, which bought a 1.8 per cent share in the company in February.

■ Crédit Locale, the French bank, yesterday announced that the international part of its FFr1.89bn ($330m) flotation had been fully subscribed in the first day of the offer, writes Alice Rawsthorn in Paris.

Crédit Locale, which is the first candidate in the French government's partial privatisation programme, allocated 20 per cent of the 9m shares on sale to foreign investors.

■ Texas Instruments, the US electronics manufacturer, yesterday announced 500 compulsory redundancies in its European operations, writes Michael Skapinker.

The company, which has 7,000 European employees, said the redundancies would be spread across France, Germany, the UK, Italy, the Netherlands and Portugal.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 20.11.91: Pool purchase price £/MWh	Final Prices for Trading on 22.10.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.54	15.62	15.62
0100	19.17	15.62	15.62
0130	21.00	15.66	15.66
0200	21.00	15.92	15.92
0230	19.17	15.92	15.92
0300	19.17	15.92	15.92
0330	16.57	15.92	15.62
0400	16.51	15.91	15.91
0430	16.49	15.90	15.90
0500	16.47	15.90	15.90
0530	16.46	15.86	15.86
0600	16.51	15.86	15.86
0630	16.49	15.90	15.90
0700	19.37	16.22	16.22
0730	20.57	19.09	21.56
0800	20.70	25.90	29.54
0830	21.46	29.67	32.90
0900	21.47	30.99	35.51
0930	22.02	29.01	33.04
1000	22.12	27.17	30.74
1030	24.95	23.01	26.24
1100	24.95	25.35	28.46
1130	30.07	25.29	28.38
1200	30.09	25.17	28.23
1230	30.08	24.35	27.18
1300	30.05	23.30	25.84
1330	24.91	19.07	21.23
1400	18.36	18.21	20.31
1430	17.27	16.41	16.41
1500	17.27	16.38	16.38
1530	17.16	16.39	16.39
1600	17.72	18.29	20.42
1630	46.35	18.99	21.12
1700	61.37	20.40	22.81
1730	96.57	23.29	25.81
1800	79.55	25.95	29.54
1830	39.70	31.57	36.14
1900	28.82	33.41	38.30
1930	25.20	30.70	34.94
2000	22.58	25.94	28.98
2030	20.57	20.92	23.16
2100	20.57	20.62	22.76
2130	20.57	18.11	20.18
2200	20.03	17.97	20.03
2230	20.03	17.51	19.66
2300	16.51	16.11	16.11
2330	16.47	15.92	15.92
2400	16.46	15.84	15.84

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are [illegible]

MGC Settlements Limited

Hewlett-Packard boosted by higher US sales

By Louise Kehoe in San Francisco

HEWLETT-PACKARD, the US electronics group, reported stronger-than-expected fourth-quarter operating results, boosted by improved sales in the US.

Although special charges sharply reduced net earnings for the quarter, the group's share price rose, defying the stock market decline.

Fourth-quarter earnings were $125m, or 50 cents a share, down from $202m, or 83 cents, in the corresponding period last year.

The company took pre-tax charges of about $150m, or approximately 40 cents a share, to cover the costs of voluntary severance programmes and related consolidation, relocation and facility expenses. Some 3,300 people, or about 3 per cent of the group's workforce, left the company.

Excluding the adjustment for *special charges, net earnings* grew by around 12 per cent, which was at the high end of analyst's estimates.

HP's stock price rose to $47⅛ in morning trading, from a Monday close of $46⅞.

Net revenues for the quarter were $3.8bn, up about 7 per cent from $3.6bn in the corresponding 1990 quarter. Net revenues in the US rose 11 per cent, while those outside the US increased by 4 per cent, reflecting weaker economic conditions in Europe.

"While we're concerned about the slowing of order growth internationally, we're pleased with the increased growth rate in the US," said Mr John Young, president and chief executive.

Much of the company's order growth appeared in its computer peripherals and networking business, including its popular line of computer printers.

John Young: pleased with growth rate in US

For fiscal 1991, net earnings were $755m, or $3.02 a share, compared with $739m, or $3.06, in 1990. Revenues rose 10 per cent to $14.5bn, from $13.2bn.

● Burr-Brown, the US microelectronics group, expects to cut up to 20 per cent of its US workforce as part of a restructuring likely to result in substantial fourth-quarter charges, Reuter reports. Burr-Brown employs about 1,700 people.

Dayton Hudson margins squeezed

By Barbara Durr in Chicago

PRICE-CONSCIOUS consumers put heavy pressure on margins and drove down third-quarter results at Dayton Hudson, the Minneapolis-based retailer.

The company yesterday reported net earnings for the period ended November 2 of $35m, or 40 cents a share, down from $58m, or 70 cents, a year ago.

Sales rose to $3.96bn in the third quarter, up 9 per cent from $3.62bn last year.

But Mr Kenneth Macke, the Dayton Hudson chairman, said *increased sales did not offset* the deteriorating margin rate in the highly promotional US retailing climate.

While the company's expense rates are declining and its inventories are in good shape, Mr Macke said he expected gross margins to remain *under competitive pressures.*

Dayton Hudson's Target chain, for example, has been fighting for market share against the highly successful Wal-Mart discount department stores.

Operating profits for Target and Mervyn's, two of the three chains run by Dayton Hudson, declined in the third quarter, although operating profit at its more up-market department stores improved due to lower expenses rates.

For the first nine months, net earnings slipped to $109m, *or $1.25 a share, compared with* $177m, or $2.15, last year. Revenues in the first three quarters rose 10 per cent to $10.9bn from $9.9bn in 1990.

Dayton Hudson, which opened 32 stores during the third quarter, now operates 765 *stores in 33 states.*

Profits slide to $23.1m at Sea Containers

By Nikki Tait in New York

SEA CONTAINERS, the Bermuda-based containers and Sealink ferries group, reported a dip in after-tax profits to $23.1m for the three months to end-September.

This compares with $24.3m in the same period a year earlier. The company blamed the fall on losses by the group's cargo ships and some exceptional spending on container repairs.

Sea Containers claimed that its market share of the cross-Channel routes had increased from 15 per cent to 19 per cent, due to the introduction of two "SeaCats" on the Dover to Boulogne and Calais routes.

Recession had affected ferry traffic, but prospects for 1992 looked brighter.

Orient-Express hotels fared better than in 1990, but Sea Containers warned that the US recession coupled with the *political troubles in Yugo*slavia affected business at its Hotel Cipriani in Venice.

Pathe quarterly report has no *statements*

By Karen Zagor in New York

PATHE Communications filed a quarterly report with the SEC which contained no financial statements, management discussion or analysis, writes Karen Zagor in New York.

The company is waiting for a Delaware court to rule on whether Mr Giancarlo Parretti, the Italian financier, will be reinstated as head of MGM-Pathe, the Hollywood studio acquired by Pathe last year.

Pathe's chief financial officer, Mr Aurelio Germes, said: "We believe it is important and in the interest of our shareholders to make all necessary SEC filings, but we do not have control of, nor access to, the financial and accounting records of our subsidiary MGM-Pathe which are necessary *in order to file a complete* 10-Q [a quarterly reporting requirement]."

Crédit Lyonnais, the French bank whose Dutch subsidiary has provided Pathe with more than $1bn in loans and funds related to MGM, ousted Mr Parretti from the helm of *MGM in April and essentially* took control of the company.

Mr Germes said it had sought assurances from Crédit Lyonnais Bank Nederland that funds would be made available to hire the necessary personnel to complete its 10-Q filings but that it had not received an adequate response.

Australian banks count cost of recession

Kevin Brown sees bad debts and non-performing loans creating uncertainty on profits

THREE of Australia's four national banks will reveal over the next few days how badly they have been affected by recession and a tidal wave of bad debts and non-performing loans. It is not likely to be a pretty picture.

Most observers expect the banks to show little growth in interest income and assets for the year to September 30, mainly because the economy was contracting for most of the period. The banks are also expected to suffer further big write-offs against bad debts, and to have foregone significant income as a result of an increase in non-performing loans.

The three banks and the mainly government-owned Commonwealth Bank wrote off more than A$3bn (US$2.36bn) *in bad debt charges in 1989-90,* more than double the charge in the previous year. They also revealed gross non-accrual loans of A$7.8bn, which increased to A$11.7bn after including other problem loans and facilities.

Many of those problem loans *are still on the books, such as* the A$600m exposure of the Australia and New Zealand Banking Group (ANZ), to the failed Fairfax newspaper group. However, bankers say the effects of bad debts has percolated down to medium business customers, indicating that a further round of bad debt provisioning is likely for 1990-91.

The effect on profits is difficult to estimate because of uncertainty about the proportion of bad debt charges the banks will decide to write off against profits.

However, some indication of the likely effects can be gauged from the results of Commonwealth, Australia's biggest bank, 30 per cent of which was floated on the Australian Stock Exchange earlier this year.

Commonwealth reported in September that net profits for the 12 months to the end of June increased by 68 per cent to A$883m. However, the increase was entirely *accounted for by an abnormal* profit of A$617m, mostly because of a transfer of A$533m from the bank's superannuation fund.

If the abnormal profit is stripped out of the results, net profits declined from A$490m to A$266m, mainly as a result *of 122 per cent increase* in bad debt charges to A$1.02bn.

Most of the bad debts were transferred from the State Bank of Victoria, which was rescued by Commonwealth last year after the crash of its Tricontinental merchant banking subsidiary.

Similar bad debts are likely to have been incurred by the three private banks, particularly through their finance subsidiaries, which aggressively pursued loans to small and medium companies in the 1980s.

AUSTRALIA'S BIG FOUR BANKS (Net profits A$m)	1989-90	1990-91(e)	1991-92(e)
ANZ	412.5	331.5	490.0
Commonwealth	527.1	883.3	459.5
NAB	767.0	772.6	995.6
Westpac	676.1	390.8	612.5

(e) 1990-91 figures are estimates, except for Commonwealth, which reported in September
Source: Salomon Brothers

MOST analysts expect *ANZ to be affected* badly by its exposure to industry in its home state of Victoria, the heartland of Australian manufacturing, which has been at the centre of the economic slowdown.

Westpac, of Sydney, is less exposed to the Victorian recession, but analysts say the bank is likely to suffer a substantial fall in profits after further provisioning. The company reported net profits of A$684m last year after including a net transfer of A$198m from its employee superannuation fund. Net profits would otherwise have been 486m.

National Australia Bank (NAB) is widely expected to post the least depressed result for the year because of its focus on retail banking and smaller exposure to large corporate debt. NAB suffered non-performing loans of 2.6 per cent of assets in the year to *1990, compared with 4 per cent* for Westpac and 5.5 per cent for ANZ.

Mr Scott Hawker, Salomon Brothers' banking analyst, says NAB's 1990-91 net profits will increase marginally to A$772m, followed by a recovery to A$995m in 1991-92. Mr Hawker forecasts a fall in ANZ's net profits from A$412m to A$331m, and a decline at Westpac from A$676m to A$391m.

The difficult trading environment for the banks has been accompanied by repeated attacks on their alleged tight credit policies by business and farmers' leaders, and complaints that they have attempted to recover lending *losses by widening margins.*

Banks have denied the charge, but an inquiry set up by the Victorian state government concluded yesterday that home lending rates had fallen about 5 per cent and business rates about 7 per cent since late 1989, compared with a fall *in official interest rates of* about 9.5 per cent.

DIfficultiesfacing the banks have had little effect on investment support for them, which has increased over recent months as interest rate cuts have raised the prospects for economic recovery during 1991-92.

The Australian Stock Exchange banking sector index closed at 2280.7 last night, up 35.5 per cent since the end of 1990, compared with a 27 per cent increase in the All Ordinaries Index to 1656.8.

Most analysts expect investor support to continue as economic recovery and the effects of provisioning and tight credit policies combine to brighten the banks' prospects.

Optus wins first private telecoms licence

By Kevin Brown in Sydney

AUSTRALIA'S federal government yesterday awarded its first private sector telecommunications licence to Optus Communications, a consortium led by Mayne Nickless, the Australian transport group.

Mr Kim Beazley, communications minister, said Optus would also pay A$800m (US$629.9m) for Aussat, the loss-making government-owned satellite company. The sale will wipe out Aussat's debt to the government.

Optus was widely expected to win the second licence, which will allow the group to compete with Australia Telecom, the government-owned domestic telecommunications carrier. Telecom is to be merged next year with OTC, the government-owned international carrier.

Optus has strong equity support from the AMP Society and National Mutual Life, Australia's two biggest financial institutions, which are partners with Mayne Nickless in an Australian group holding 51 per cent of the shares.

The consortium also has access to world class technical expertise through Bellsouth of the US and Cable & Wireless of the UK, which each hold 24.5 per cent of the shares.

The only other bidder for the licence was Kalori Communications, formed by Hutchison Whampoa of Hong Kong, which suffered a fatal blow last month when France Telecom, Ameritech and Bell Atlantic withdrew.

Optus will compete with Australia Telecom in a regulated duopoly until 1997, when Australia will move to open competition in all telecommunications services. In the meantime, the government plans to award a third cellular licence early next year.

Mr Beazley said the decision to license a second carrier would give Australia one of the world's most competitive telecommunications markets. The sale of Aussat, which was a condition of the licence, also brings an end to an embarrassingly inept government foray into the satellite business.

Sir Brian Inglis, Optus chairman, said the consortium planned to spend A$4bn to create "the most advanced integrated telecommunications network in the world".

Optus intends to develop a fibre optic cable network throughout Australia, operated by discrete digital switching and transmission systems.

Mayne Nickless shares rose 19 cents to A$8.34 after the announcement.

Ailing Marine Midland Bank sells portfolio

MARINE Midland Bank, the troubled US subsidiary of Hongkong and Shanghai Banking Corporation, is withdrawing from the utilities financing business by selling its loan portfolio to Canadian Imperial Bank of Commerce (CIBC), writes Bernard Simon in Toronto.

CIBC is paying about US$200m for the loans, which involve 15 customers, mostly in the north-eastern US.

The sale is the latest in a series of retreats by Marine Midland as it concentrates on becoming a New York-based regional institution.

It has also withdrawn from communications financing, and has sold its international private banking and national automotive financing businesses. Marine Midland's assets have shrunk in the past year to $17bn from $23bn.

Hit by the recession and the depressed real estate market, the bank's losses in the first nine months of this year *totalled $166.2m. Hongkong* and Shanghai recently provided a $200m equity injection.

By contrast, CIBC, Canada's second-largest financial institution, has been expanding its US operations.

ICI Australia submits to overall pressure

By Kevin Brown

ICI AUSTRALIA, a quoted subsidiary of ICI of the UK, yesterday said net profits fell by 8 per cent to A$68m (US$53.5m) before abnormal items in the year to the end of *September. Sales fell 6 per cent* to A$2.84bn.

The result reflects increasing commercial pressures caused by economic slowdown, low export prices and competition from imports.

However, profits increased to A$126m after including net abnormal gains of A$58m, made up of A$99m profits on the sale of shareholdings offset by losses of A$41m for restructuring costs.

The board said trading profit fell 11 per cent to A$177m because of a 10 per cent fall in domestic sales volume and weak overseas prices for plastics and some chemicals.

ICI said it had also suffered from "excessive dumping" of imports. "In common with other Australian manufacturers, we find that anti-dumping regulations and procedures are long, costly and ineffectual," the board said.

The company said the Gulf war led to a substantial temporary increase in the cost of feedstock for its plastics business, most of which could not be recovered through higher prices for its products.

Net borrowing fell from A$540m to A$294m, mostly as a result of the divestment of shareholdings. Working capital was reduced by A$140m, making a total of A$300m in two years, through tight control of *debtors and improved stock* management.

The directors declared a fully franked final dividend of 10 cents, making a total of 15 cents for the year, compared with 20 cents in the previous year.

JAPANESE INTERIM RESULTS

TDK drops 10.8% as tape sales fall

By Robert Thomson in Tokyo

TDK, the magnetic tape and electronic parts-maker, reported a 10.8 per cent fall in consolidated pre-tax profit to Y27.7bn ($214m) for the first half to end-September as sales of recording tapes fell slightly and fluctuations in the value of the yen eroded profits.

The company said sales for the period rose 2.6 per cent to Y271.97bn, with a 5.7 per cent increase in sales of electronic materials and components, and a 4.4 per cent fall in recording media sales. Overseas sales fell 1 per to Y137.48bn.

Strongest growth in electronic part sales was shown in ceramic components, up 11.7 per cent, and coil and assembled components, up 8 per cent.

The company's parts are used in televisions, video equipment, computers and office automation products, and by the semiconductor industry, which is suffering from lower-than-expected sales of a new generation of memory chips. TDK said that, although the prospect of future growth was limited in the audio and video tape markets, it intended to continue as a strong competitor in the field. The company believes that sales can be increased in Europe and Asian markets.

The value of the company's marketable securities fell from Y77bn at September last year to Y69.4bn, reflecting the downturn in the Japanese stock market in the past year. Cash in hand fell from Y67bn *to Y57.4bn, a common trend* among Japanese companies, many of which have chosen to draw on cash reserves this year.

Parent company sales rose 6.6 per cent to Y214.4bn, with a 9 per cent fall in pre-tax profit to Y21.87bn. For the full year, *the parent is expecting a slight* increase sales at Y420bn, and a pre-tax profit of Y40bn. The company does not issue a forecast for consolidated operations.

Kyocera dips to Y34.4bn as sales advance 1.6%

By Steven Butler in Tokyo

PRE-TAX profits at Kyocera, the high-technology ceramics and electronics company, fell by 1.7 per cent to Y34.4bn ($265m) on a consolidated basis in the six months to the end of September, while sales rose by 1.6 per cent to Y231.6bn.

Operating profits fell by 21.3 per cent to Y24.1bn. Kyocera said the decline was caused by the high value of the yen, which cut into export and overseas earnings, and by a high level of spending on investment, and on research and development.

Sales of electronic parts rose by 4 per cent to Y80.5bn, while sales of semi-conductor parts *posted a 3.4 per cent gain to* Y55.9bn. Demand for ceramic parts used in office automation equipment and solar heating systems was strong, while sales of compact cameras rose.

Sales of electronic equipment declined by 16 per cent to Y32.2bn reflecting weak demand for computer peripherals and intense competition in the laser printer industry. Sales of precision optical equipment were flat.

Net *earnings fell* by 5.4 per cent to Y15.76bn. An interim dividend for the parent company was declared at Y25 a share, up from Y22 last year.

Kyocera said it expected business conditions to be difficult in the second half of the year. The company lowered its *full* year estimate of net earnings for the parent company to Y24bn, compared with Y29.6bn last year.

Misawa Homes hit by rising costs

MISAWA Homes, the house builder, announced a 0.8 per cent rise in non-consolidated pre-tax profits to Y10.5bn ($81m) for the first-half to September, as a rise in construction and labour costs hit profits, writes Emiko Terazono in Tokyo.

Sales rose 9.5 per cent to Y130bn. Housing materials sales rose 6.8 per cent to Y85.7bn, and revenue from building contracts rose 25.5 per cent to Y11.2bn.

Interest payments rose 78.7 per cent, pushing non-operating costs up by 52 per cent, and Misawa posted a loss of Y532m on its financial bal*ance. Short and long-term bor*rowings surged by 49.6 per cent to Y98.3bn. After-tax profits rose 7.3 per cent to Y5.3bn due to a fall in corporate taxes.

For the year, Misawa projects a 4.9 per cent rise in pre-tax profits to Y23.5bn on a *12.6 per cent increase in sales* to Y300bn.

■ Chugai Pharmaceutical, the leading pharmaceutical group, is to set up a joint venture research unit in South Korea with Korean drug maker Choongwae Pharma, Reuter reports from Tokyo. The two will invest Y100m each to set up C&C Research Laboratories.

■ Toyota Motor, the vehicle maker, has chosen 48 of its domestic dealers to sell Volkswagen and Audi cars in Japan, and will sign contracts with them early next year, Reuter reports from Tokyo.

In July, Toyota agreed with Volkswagen and its wholly-owned Japanese unit Volkswagen Audi Nippon, to sell VW and Audi cars from April 1992.

■ Mitsubishi Motors, the car maker, plans to boost its pur*chases of US parts to* $1.4bn a year from April 1 1994, AP-DJ reports from Tokyo. This will double the company's planned purchases of $700m for the year to March 31 1992.

■ Mitsubishi Heavy Industries (MHI) and trading house Mitsubishi Corp, will launch joint ventures next month in Germany and the UK to sell MHI's printing machines, Reuter reports from Tokyo.

THE
DAVID THOMAS
PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1992 prize, worth not less than £2,000, is: WHAT WILL THE COLLAPSE OF COMMUNISM DO TO THE ENVIRONMENT?

Applicants, aged 21-30, of any nationality and not in full time education, should submit 500 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further. The award winner will be required to write an essay 1500 to 2000 words in length at the end of *the study* period. The essay will be considered for publication in the Financial Times.

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INTL. COMPANIES AND CAPITAL MARKETS

O'Reilly spells out terms for Fairfax bid

By Tim Coone in Dublin

INDEPENDENT Newspapers, the Irish newspaper and publishing group, yesterday revealed details of the equity component of its A$1.3bn (US$1.02bn) takeover bid for Fairfax, the Australian newspaper group which went into receivership a year ago.

Under the offer, Independent would take 20 per cent control of Fairfax. The remaining 80 per cent would be placed in a public share offering in the first quarter of 1992, being fully underwritten by J.B. Were & Son, a leading Australian underwriter of equity securities.

Independent newspapers intends to appoint only two directors to the board, Mr Tony O'Reilly, the chairman of Independent and the US Heinz food group, and Mr Liam Healy, Independent's chief executive.

A statement released by the company yesterday promised: "The board of directors will be demonstrably Australian and independent of any shareholder group." Mr John Fairfax, who was deputy chairman of Fairfax until 1987 when his holding was bought out by his cousin, Mr Warwick Fairfax, would also be appointed to the board.

Independent faces rival bids from Tourang, a consortium led by Mr Kerry Packer and Mr Conrad Black, the proprietor of the UK Daily Telegraph group, and AIN (Australian Independent Newspapers), a consortium of Australian financial institutions.

Tourang's bid has aroused concern in Australia over the concentration of media ownership as Mr Packer already holds 19 per cent of the Australia print media market as well as several TV stations. Fairfax, which prints the Sydney Morning Herald, The Age and the Australian Financial Review accounts for 12 per cent of the market.

For its part, the Independent bid has raised concern over foreign ownership of the Australian media, and which yesterday's statement by Independent was designed to address. Independent Newspapers also has a stake in Australian Provincial Newspapers, and controls it through additional holdings by Mr O'Reilly's Australian children.

The Fairfax receiver, Mr Des Nicholl, is expected to decide shortly whether Fairfax will be floated or sold to one of the three bidders.

Fairfax went into receivership after it failed to honour payments on A$1.3b of debts, including US$450m in junk bonds, a result of a failed management buy-out led by Mr Warwick Fairfax in 1987.

Carolco poised for $100m home video share deal

By Alan Friedman in Los Angeles and Karen Zagor in New York

CAROLCO Pictures, the loss-making independent Hollywood production company, is poised to acquire – for an estimated $90m to $100m in stock – the 46 per cent shareholding it does not already own in Live Entertainment, a separately quoted home video distributor.

Carolco and Live Entertainment, which have been discussing the transaction for the past month, said yesterday that Carolco's board had agreed to swap about 2.5 shares of Carolco stock for each Live share. Live has about 12m shares outstanding, while Carolco has about 41.4m.

The buy-out is part of a consolidation at the troubled company. Carolco has been suffering financially despite the success of its Terminator 2, an action film starring Arnold Schwarzenegger.

Live Entertainment is the sixth largest US home video distributor and also owns a chain of retail record shops in Massachusetts. The 46 per cent stake was spun off by Carolco when Live was quoted on the New York Stock Exchange in the late 1980s.

The buy-out of remaining shares in Live Entertainment would dilute the main Carolco shareholdings held by Mr Mario Kassar, Carolco chairman, as well as minority stakes held by Pioneer of Japan, Canal Plus of France and Rizzoli Corriere della Sera of Italy.

Live said yesterday that it expects the merger to take place in early 1992.

Decline at Benguet

BENGUET, the Philippines' biggest gold producer, posted a 20 per cent fall in net profits to 141.1m pesos, or 1.24 pesos a share, in the nine months to September 30 from 176.8m pesos, or 1.56 pesos, a year earlier, Reuter reports.

UK bonds regain ground despite weakening pound

By Simon London in London and Patrick Harverson in New York

UK GOVERNMENT bonds gained ground yesterday despite the weakness of sterling on the foreign exchange markets, which fuelled speculation about the need for higher interest rates to support the UK currency.

Bond and futures prices both rose during the day. The December gilt futures contract on Liffe closed at 95.10, up from an opening level of 94.30.

The benchmark 11¾ per cent government bond issue maturing 2003/2007 closed up ¼ of a point on the day at 113⅞ for a yield of 9.70 per cent.

Sterling fell below DM2.88, well below its DM2.95 central rate within the European exchange rate mechanism and not far above its permitted floor of around DM2.86.

While talk of a sterling crisis was seen as premature by analysts, the ½ point rise in French interest rates on Monday to defend the franc has focused attention on stresses within the ERM.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.8132	0.134	9.80	9.84	0.05
BELGIUM		9.000	05/01	99.6000	+0.050	9.05	9.01	9.06
CANADA *		9.750	12/01	100.8000	-0.250	8.41	8.45	8.88
DENMARK		9.000	11/00	100.3750	-0.500	8.94	8.85	8.87
FRANCE	BTAN	8.500	11/96	98.0496	-0.038	8.99	8.89	8.86
	OAT	9.500	01/01	104.3100	+0.160	8.78	8.76	8.72
GERMANY		8.25	08/01	100.0900	+0.070	8.23	8.23	8.15
ITALY		12.000	06/01	98.8600	+0.010	12.57	12.49	12.30
JAPAN	No 119	4.800	06/99	92.8468	-0.022	6.19	6.17	6.14
	No 129	6.400	03/00	103.0639	-0.058	5.85	5.84	5.80
NETHERLANDS		8.500	08/01	98.5800	+0.050	8.72	8.72	8.69
SPAIN		11.900	07/98	99.6000	-0.025	11.86	11.64	11.49
UK GILTS		10.000	11/96	100-31	+2/32	9.75	9.88	9.76
		10.000	02/01	101-25	+2/32	9.70	9.65	9.80
		9.000	10/08	95-27	+8/32	9.50	9.50	9.57
US TREASURY *		7.875	08/01	101-04	-3/32	7.34	7.37	7.51
		8.125	08/21	101-17	-11/32	7.87	7.81	7.97

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Sentiment was buoyed by news that the Bank of England will auction £1.5bn 9 per cent conversion loan stock due 2011 on November 27.

■ GERMAN government bonds moved higher, rebounding from nervous trading on Monday which saw 10-year bunds fall by a ½-point.

The December bund futures contract on the London International Financial Futures Exchange closed at 86.24, up from an opening 86.05 and well above the day's low of 86.00.

Traders reported overseas buying of bunds and switching out of some higher-yielding bond markets as investors focused on the risk of devaluation of weaker European currencies. The Bundesbank council meets tomorrow, but analysts are not expecting further tightening of monetary conditions. Sentiment was buoyed by the result of the this week's Bundesbank repurchase operation, which was taken as a sign that the German authorities are not trying to squeeze interest rates higher.

■ FRENCH government bonds were unchanged at the longer maturities following Monday's ½-point fall in bond prices and ½-point rise in interest rates. The benchmark 8.5 per cent 10-year bond was unchanged in late afternoon trading, yielding 8.81 per cent.

■ IN NEW YORK, all eyes were again on equities yesterday morning as short-term Treasury securities rose in the wake of another big fall in share prices.

At midday, the benchmark 30-year bond fell ⅛ to 101⅜, yielding 7.874 per cent, but the two-year note climbed ⅛ to 100⅞, pushing the yield down to 5.483 per cent. Trading activity was reported to be light.

In the absence of any major economic news, bond traders moved prices in response to fresh losses in the equity markets. Hopes that investors who have sold stock holdings will move their money into short-term Treasury issues helped the short end of the market, particularly the five-year note which posted the biggest gain along the maturity range.

In the credit markets, the Federal Reserve intervened via $1.5bn in customer repurchase agreements, aimed at putting downward pressure on the Fed funds rate. By midday, Fed funds were trading unchanged at 4¾ per cent.

■ JAPANESE government bond prices were stable in Tokyo trading, with the market taking little notice of volatility on world equity markets. The benchmark No 129 closed unchanged on a yield of 5.85 per cent, having fallen to 5.865 per cent during the day.

Venezuela debt move threatens loan

SUSPENSION by Venezuela of payments on a small portion of its foreign currency debt may put in jeopardy a new loan from international banks, according to bankers, writes Stephen Fidler in Caracas.

The new loan of about $300m is scheduled for January as part of the debt restructuring agreed between Venezuela and its banks last year. Venezuela needs waivers from the banks because it has fallen out of compliance with its International Monetary Fund programme.

Some bankers say these waivers may not be forthcoming unless the non-payment issue is addressed. The debt in question, at least $1.5bn, was issued to finance purchases of military equipment. The loans are controversial because of allegations that there was over-invoicing to finance bribes to secure the contracts.

Banks argue that the debt carries the explicit backing of the republic. The debt, excluded from the restructuring, is mainly held by banks but has also been traded in the secondary market.

Venezuela has no problem meeting the payments; its foreign reserves now exceed $12.5bn.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on November 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¾	106⅛		6.85
ALBERTA PROVINCE 9 3/8 95	600	108¼	108½		6.91
AUSTRIA 8 1/2 00	400	104⅜	104⅞	+⅛	7.75
BANK OF TOKYO 8 3/8 96	100	103¾	104	+⅛	7.39
BELGIUM 9 5/8 98	250	110⅛	110⅝	+⅛	7.59
BFCE 7 3/4 97	150	102	102⅜	-⅛	7.27
BNP 8 5/8 94	300	105	105⅜	-⅛	6.53
BRITISH GAS 8 3/8 99	350	104⅛	104⅝	-⅛	7.65
CANADA 9 96	1000	108	108¼	+⅛	6.77
CARCO 9 1/4 96	650	102½	103¼	-⅛	8.57
CCCE 9 1/4 95	300	107⅝	108		6.57
COUNCIL EUROPE 8 96	100	103	103⅜	-⅛	7.21
CREDIT FONCIER 9 1/2 99	300	109⅜	109¾	-⅛	7.75
DENMARK 8 1/4 94	150	104⅛	104⅜	-⅛	6.44
DENMARK 9 1/4 95	1571	107⅝	107⅞	+⅛	6.61
ECSC 8 1/4 96	193	105	105½	-⅛	7.03
EEC 8 1/4 96	100	104	104⅜	-½	7.18
EIB 7 3/4 96	250	103¼	103⅝		6.92
EIB 9 1/4 97	1000	109¼	109⅝		7.29
ELEC DE FRANCE 9 98	200	106¾	107¼	-⅛	7.60
EURO CRED CARD TST 9 94	525	104½	105¼	+½	7.22
EUROFIMA 9 1/4 96	100	107⅝	108	+⅛	7.18
EXPORT DEV CORP 9 1/2 98	150	109¾	110¼	+⅛	7.54
FINLAND 7 7/8 97	200	102¼	102¾		7.33
FINNISH EXPORT 9 3/8 95	200	108¼	108⅝		6.94
FORD CAPITAL 9 3/4 97	250	105⅛	105⅝		8.47
GEN ELEC CAPITAL 9 3/8 96	300	107⅝	108	+⅛	7.32
GMAC 9 1/8 96	200	104⅝	105		7.87
GUINNESS FINANCE 8 94	200	103⅜	103¾		6.54
IBM INTL FIN 7 3/4 94	200	103¼	103⅝		6.18
IND BK JAPAN FIN 7 7/8 97	200	101⅜	101⅞	+⅛	7.54
INTER AMER DEV 7 5/8 96	200	101⅞	102¼	-⅛	7.14
ITALY 8 1/2 94	1500	105⅝	106	+⅛	6.24
JAPAN DEV BK 8 94	150	103¾	104⅛		6.31
KANSAI ELEC PWR 10 96	350	109⅝	110⅛	-⅛	7.32
LTCB FIN 8 97	200	100¾	101¼	-⅛	7.81
NEW ZEALAND 9 94	850	105⅞	106¼	+⅛	6.60
NIPPON CRED BK 10 3/8 95	150	108⅝	109⅛	-⅛	7.55
NIPPON TEL & TEL 9 5/8 95	200	107¼	107⅝		6.82
ONTARIO 8 1/2 01	600	102¾	103¼		8.06
ONTARIO HYDRO 11 5/8 94	200	110¼	110⅝		6.49
OSTER KONTROLLBANK 8 1/2 01	200	103¾	104¼		7.90
PETRO-CANADA 7 1/4 96	200	100¾	101¼	+⅛	7.03
QUEBEC HYDRO 9 3/4 98	150	109⅜	109⅞	+⅛	7.92
QUEBEC PROV 9 98	200	105⅜	105⅞	+⅛	7.88
SAINSBURY 9 1/8 96	150	106⅝	107¼		7.44
SAS 10 99	200	106¾	107¼	+⅛	8.78
SBAB 9 1/2 95	500	108¼	108⅝	+⅛	6.81
SNCF 9 1/2 98	150	109¾	110¼		7.57
STATE BK NSW 8 1/2 96	200	104	104½	+⅛	7.43
SWEDEN 8 1/8 94	150	104⅛	104⅝	+⅛	6.35
TOKYO ELEC POWER 8 3/4 96	300	106¼	106¾		7.14
TOKYO METROPOLIS 8 1/4 96	200	104½	105		7.14
WORLD BANK 8 3/8 99	1500	105⅛	105⅜	-⅛	7.64
WORLD BANK 8 3/4 97	1500	107¼	107⅝	-⅛	7.20
XEROX CORPN 8 3/8 96	100	102¾	103¼	+⅛	7.79

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	102½	102¾	+⅛	10.29
BK ECON USSR 7 96	750	68	68	-1⅜	18.20
BULGARIAN TRADE BK 8 1/2 96	200	85¾	85¾	+1¼	12.66
CZECH OBCHODNI BANKA 10 95	350	96½	96¾	-⅛	11.17
DEUTSCHE FINANCE 7 1/2 95	1000	97¾	97⅞		8.46
EIB 5 3/4 98	400	87¼	87⅝	+⅛	8.29
EIB 6 7/8 95	300	96¼	96⅝		8.05
EUROFIMA 6 1/4 98	400	89⅜	89⅝		8.38
FIRST INTERSTATE 5 3/4 96	100	84⅜	84¾	+½	10.14
IND BK JAPAN FIN 5 5/8 96	200	88⅜	88⅝	+⅛	8.82
IND DEV BK INDIA 6 3/8 94	200	89¼	89⅝		10.63
LUFTHANSA INT FIN 5 7/8 98	500	87¼	87⅝	+⅛	8.55
NACIONAL FINANCIERA 11 95	150	101	101		10.61
NAT BK HUNGARY 8 96	200	91¼	91¾	+1¼	10.20
QUEBEC HYDRO 6 3/4 99	300	89¼	89¾		8.68
SWEDEN 6 1/8 98	300	89⅛	89⅜		8.40
WORLD BANK 0 15	2000	18⅝	18⅞		7.23
WORLD BANK 5 3/4 96	300	90¾	90⅞		8.34
WORLD BANK 7 1/8 95	500	97½	97½		8.04

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	88		+⅛	7.18
AUSTRIA 4 5/8 98	100	88	89		7.07
CHUBU ELEC POWER 6 3/4 01	300	99	99½		6.89
COUNCIL EUROPE 4 3/4 98	250	88	88½	-⅛	7.20
EEC 5 1/2 00	100	89½	90		7.12
EIB 6 1/2 98	600	98½	98¾		6.78
ELEC DE FRANCE 7 1/4 06	100	100¼	102	-⅛	7.16
FINLAND 5 3/8 95	150	94	95		7.17
GENERAL MOTORS 7 1/2 95	100	100	100½		7.48
JAPAN DEV BK 5 1/2 94	100	95½	96	+½	7.76
KOBE 6 3/8 01	240	96	97		6.95
NEW ZEALAND 4 7/8 99	200	86½	87	+½	7.35
QUEBEC HYDRO 5 08	100	75	76		7.74
WORLD BANK 5 03	150	85	86½	-½	6.90
WORLD BANK 7 01	600	101⅛	101⅜	+⅛	6.75

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	97⅞	98⅛	+⅛	5.82
CREDIT FONCIER 5 1/4 94	20000	97⅞	98⅜		6.02
DENMARK 7 95	40000	103¼	103½	+⅛	5.84
EIB 4 5/8 94	40000	97⅛	97⅜		5.73
ELEC DE FRANCE 5 5/8 96	20000	98¾	99¼		5.92
FINLAND 6 3/4 96	50000	102½	102¾		6.17
INTER AMER DEV 7 1/4 00	30000	108¼	108⅝		5.99
KANSAI ELEC PWR 4 5/8 94	60000	96⅝	96⅞		6.14
NIPPON TEL & TEL 5 7/8 96	50000	99⅜	99⅝		6.02
NORWAY 5 1/8 95	50000	97⅝	98	+⅛	5.87
SNCF 6 3/4 00	30000	104⅝	105	-⅛	6.02
SWEDEN 5 5/8 95	20000	98½	99		6.07
WORLD BANK 6 3/4 00	50000	104⅞	105¼		5.98

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.62
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¾		9.21
WORLD BANK 8 96 LFr	1000	96¼	97¼		9.08
ABN AMRO HOLDING 9 1/4 01 Fl	750	102⅝	103		8.79
UNILEVER 9 00 Fl	500	103¼	103⅝		8.46
ALBERTA PROVINCE 10 5/8 96 C$	500	106⅛	106⅝	-⅛	8.74
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝	-⅛	9.40
BRITISH COLUMBIA 10 96 C$	500	104⅝	105	+⅛	8.70
EIB 10 1/8 98 C$	130	106⅞	107⅜	+1⅛	8.65
ELEC DE FRANCE 9 3/4 99 C$	275	104¼	104⅝		8.98
FORD CREDIT CANADA 10 94 C$	100	103	103½	+⅛	8.68
GEN ELEC CAPITAL 10 96 C$	300	104⅝	105⅛		8.70
KFW INT FIN 10 01 C$	400	104⅛	104⅜		9.28
NIPPON TEL & TEL 10 1/4 94 C$	200	105⅞	106¼		9.17
ONTARIO HYDRO 10 7/8 99 C$	500	107⅞	108¼		9.39
OSTER KONTROLLBANK 10 1/4 99 C$	150	106⅛	106⅝	+⅛	9.09
QUEBEC PROV 10 1/2 98 C$	200	105⅞	106⅜		9.32
BELGIUM 9 1/8 96 Ecu	1250	100⅜	100¾	-⅛	9.06
CREDIT LYONNAIS 9 96 Ecu	125	98½	99½		9.50
DENMARK 7 5/8 96 Ecu	250	92⅝	93⅛	+⅛	9.73
EEC 7 5/8 94 Ecu	200	96⅛	96⅝	-⅛	9.57
EIB 10 97 Ecu	1125	104¼	104⅝	-⅛	8.93
FERRO DEL STAT 10 1/8 98 Ecu	500	104	104½	-⅛	9.23
ITALY 10 3/4 00 Ecu	1000	109½	109⅞	-⅛	9.07
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅝	101⅞	-⅛	8.85
BP AMERICA 12 1/4 96 A$	100	107⅝	108		9.98
COMM BK AUSTRALIA 13 3/4 99 A$	100	117⅛	117⅝		10.36
EKSPORTFINANS 12 3/8 95 A$	75	109	109½	+⅛	9.23
EUROFIMA 14 5/8 94 A$	75	111⅛	111⅝		9.31
MCDONALDS CANADA 15 95 A$	100	114⅝	114⅞	-⅛	10.00
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110	110½	+⅛	9.52
STATE BK NSW 14 1/4 99 A$	100	117⅛	117⅝	-⅛	10.88
UNILEVER AUSTRALIA 12 98 A$	150	108¼	108¾	+⅛	10.15
VOLKSWAGEN INTL 15 94 A$	100	110⅝	111⅛	-⅛	9.78
ABBEY NATL TREAS 13 3/8 95 £	100	107¼	107⅝		10.63
ALLIANCE & LEICS 11 3/8 97 £	100	101⅛	101⅝		11.05
BRITISH GAS 12 3/4 95 £	300	106⅛	106½		10.38
DEUTSCHE BK FIN 11 94 £	225	101⅜	101⅝		10.22
EIB 10 97 £	536.5	99¾	100	+⅛	10.04
FINLAND 10 1/8 97 £	100	100	100½		10.10
INTER AMER DEV 11 3/8 95 £	75	103⅜	103⅞	+⅛	10.14
ITALY 10 1/2 14 £	400	99¼	99⅝		10.57
LAND SECS 9 1/2 07 £	200	85⅛	85⅝	+⅛	11.55
NORWAY 10 1/2 94 £	200	100⅝	101		10.13
ONTARIO 11 1/8 01 £	100	103¼	103¾		10.56
SEVERN TRENT 11 1/2 99 £	150	102⅝	103		10.95
SKANDINAVISKA ENSK 13 1/8 95 £	100	106¼	106¾	+⅛	10.71
TOKYO ELEC POWER 11 01 £	150	103⅛	103⅝	-⅛	10.40
WORLD BANK 11 1/4 95 £	100	103⅛	103⅝		10.10
ABBEY NATIONAL 0 96 NZ$	100	63⅝	64⅛		9.67
BNP 12 96 NZ$	50	109½	110⅛		9.25
CEPME 10 95 FFr	2000	102¼	102⅝	-⅛	9.20
ELF-AQUITAINE 9 93 FFr	680	99⅝	100⅛	-⅛	9.06
EURATOM 7 5/8 98 FFr	500	92¾	93¼	-⅛	9.12

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.51	99.63	10.6425
BANCO ROMA 0.03 01	200	91.50	92.50	6.4675
BELGIUM 1/16 97 DM	500	99.97	100.07	9.5000
BFCE -0.02 96	350	99.95	100.05	6.1050
BNP 05	300	95.38	96.25	5.5625
BRITANNIA 1/10 96 £	150	99.10	99.35	10.6625
CCCE 06 ECU	200	99.95	100.05	9.7500
CITIZENS FED 0.15 96	100	99.45	99.95	5.9625
CREDIT FONCIER -1/16 98	200	99.92	100.02	5.3438
DENMARK -1/8 96	1000	99.81	99.91	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.05	9.5156
ELEC DE FRANCE 1/8 99	400	100.67	100.92	6.0625
FERRO DEL STAT 94	200	100.82	101.07	5.9375
HALIFAX 1/10 94 £	200	99.96	100.06	10.5375
IRELAND 98	300	99.49	99.59	6.4400
ITALY 00	500	100.56	100.66	6.3750
LEEDS PERMANENT 1/8 96 £	200	99.34	99.43	10.4375
LLOYDS BANK 1/10 PERP S.3	600	81.13	83.00	6.0375
MITSUI FIN ASIA 1/8 96	100	99.53	99.63	5.9375
MORGAN (JP) 1/4 97	250	99.00	99.75	6.0000
NAT WEST FIN 3/16 05	400	91.75	92.88	5.5000
RENFE 98	500	99.88	99.98	5.0000
SOCIETE GENERALE 96	300	99.48	99.58	5.6250
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	99.95	99.98	5.2500
YORKSHIRE BS 1/10 94 £	165	99.63	99.73	10.5063

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125⅛	127⅛	
CHUBB CAPITAL 6 98	250	86	101¼	102	+27.82
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	98½	99½	+14.05
EASTMAN KODAK 6 3/8 01	300	50.67	102	103	+7.95
GOLD KALGOORLIE 7 1/2 00	65	1.0554	77⅛	78⅛	+55.41
HANSON 9 1/2 06 £	500	2.5875	95⅜	96⅜	+24.04
HAWLEY 6 02 PREF	400	19.1	82½	85⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	115¼	116¼	
LAND SECS 6 3/4 02 £	84	6.72	83¼	84¼	+12.11
LASMO 7 3/4 05 £	90	5.64	76⅛	77⅛	+46.50
MITSUI BANK 2 5/8 03	200	2337½	93	95	+12.85
MOUNT ISA FIN 6 1/2 97	100	2.283	90¼	91¾	+20.79
OGDEN 6 02	85	39.077	74¼	75¼	+56.84
SMITH & NEPHEW 4 02 £	90	1.775	118	119	+58.67
SUMITOMO BANK 3 1/8 04	300	3606.9	77¼	78¼	+15.85
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	86⅞	87⅞	
THORN EMI 5 3/4 04 £	103	7.45	116⅞	117⅞	+11.77

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Interest rate uncertainty keeps issuers in check

By Tracy Corrigan

FURTHER turmoil in the world's stock markets is dampening activity in the primary market. Volatile market conditions have created considerable uncertainty about the direction of interest rates in many markets, which is likely to keep both issuers and investors inactive for at least the rest of the week.

The obvious instrument for bond investors in such an environment is the floating-rate note, but margins are generally too high for this option to be attractive to issuers.

However, Austria's Sch2bn three-year offering of floating rate notes, part of a regular programme, benefited from the change in market sentiment. The deal – divided into a Sch1bn domestic tranche and a Sch1bn international tranche – was quoted at 99.85 bid, from an issue price of 100.

Dealers said that volatility in the currency markets is also deterring investors. In particular, investors are likely to steer clear of dollar and sterling

INTERNATIONAL BONDS

Eurobonds, as the dollar and the pound came under increasing pressure in the foreign exchange markets yesterday.

Among a handful of other, mainly targeted, deals, the European Investment Bank launched an Es10bn five-year deal via Banco Portugues do Atlantico. The deal was largely unaffected by market volatility, as the relatively high coupons available are still attracting retail investors, who expect further gains in the sector through the convergence of European economies. The deal was bid at 100.80, just below its par issue price but well inside 1¼ point fees.

In the equity-linked sector, Casio Computer launched a $250m four-year offering via Daiwa Europe. The deal traded at 102¼ bid, a premium to its par issue price. The calendar for Japanese equity-linked offerings is light for the rest of the year, with only half a dozen new issues on the cards in the dollar sector.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Casio Computer(a)Φ	250	3⅜	100	1995	2¼/1½	Daiwa Europe
D-MARKS						
Deutsche Ausgleichsbank(b)‡†	100	(b)	100	2001	0.15	Trinkaus & Burkhardt
Nissan Real Estate Devt.(a)★★†	65	9	101.30	1996	1⅝/1⅛	IBJ (Germany)
SWISS FRANCS						
Total(a)†	100	7⅛	102	2001	-	UBS
Jinro(c)★★§	25	4	100	1996	-	SBC
YEN						
Mazda Motor Corp.(a)†	20bn	6.4	101½	2000	2/1¼	Daiwa Europe
Mazda Motor Corp.(a)†	20bn	6.4	101⅜	1999	1⅞/1¼	Daiwa Europe
GUILDERS						
NV Vereniging Aegon(a)★★†	150	9¼	100⅝	1994	⅝/⅜	ABN Amro
AUSTRIAN SCHILLINGS						
Republic of Austria(d)‡†	2bn	(d)	100	1994	(d)	Bank of Austria/CSFB
ESCUDOS						
European Investment Bk.(e)†	10bn	11¾	101	1996	1¼/1	Bco.Portugues d'Atlantico

★★Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 10¾% for first 21 months, then 15% minus 6-month Libor thereafter. Non-callable. c) Put option 31/3/94 at 111⅝% to yield 6.713%. d) 2 tranches: domestic tranche - Sch1bn, international tranche - Sch1bn. Coupon pays 3-month Vibor minus ⅛%. Maturity can be extended by issuer to 1997 and then to 2000. Callable at 100% from 1994. Selling concession fee - 15bp. e) Callable on 12/12/95 at 100%.

Moody's may upgrade News Corp rating

By Simon London

NEWS Corporation, the international media group headed by Mr Rupert Murdoch, may have its credit ratings upgraded by Moody's Investors Service, the US credit rating agency.

Moody's said that it has put the credit ratings of the group and its subsidiaries under review for possible upgrade. The ratings were previously under review for possible downgrade.

Moody's said that the change in outlook resulted from measures taken by News Corporation to strengthen the position of debt holders including a restructuring of outstanding debt, raising new equity and asset sales.

Senior debt guaranteed by News Corporation is currently rated B3, a full five notches below investment grade. The company has $1.7bn long-term debt securities in issue.

●The credit ratings of Danish banks are more stable than their peers in other Scandinavian countries, according to Moody's.

The agency said that the early deregulation of the Danish financial system had given the banks longer to adapt to a competitive environment than in many other European countries.

In common with banks elsewhere, deteriorating asset quality and declining earnings have depressed profitability. However, Moody's said that the Danish institutions were better capitalised than UK, Swedish or US banks, enabling them to potentially absorb losses.

Salomon reshape brings 130 job cuts

By Patrick Harverson in New York

AS PART of a programme to restructure its less profitable lines of business, Wall Street securities house Salomon Brothers confirmed yesterday that it has dismissed more than 130 employees from its investment banking and equity operations over the past month.

The bulk of the job cuts came from Salomon's struggling investment banking division, which in recent months has fallen further behind its main rivals on Wall Street after losing a number of important clients in the wake of the scandal surrounding Salomon's illegal activities in the Treasury market.

The firm said 60 staff were made redundant on the corporate side of investment banking, which represented about 10 per cent of the division. Another 30 were cut from the real estate investment banking unit.

The remainder of the dismissals were in Salomon's equities division, which has failed to establish a strong presence in the US and global stock markets. Senior executives were not spared, including some highly-paid managing directors. Among the dismissed traders and analysts were some well-known names, such as Mr Kenneth Spence, the firm's respected equity strategist.

Although most of the job cuts were achieved within the US, Salomon's overseas operations, including London and Tokyo, also came under the knife.

The round of redundancies come just two weeks after Salomon re-shaped its senior management. In early November, Mr Deryck Maughan, the firm's chief operating officer, set up a new nine-man management executive committee to oversee the day-to-day running of Salomon.

The latest job cuts are seen as the latest step in this policy to concentrate Salomon's energies on its highly-profitable bond trading unit, and to marginalise its underperforming investment banking and equity operations.

Merrill brings triple-A into focus

Tracey Corrigan on the US investment bank's derivatives concept

MERRILL LYNCH Derivative Products, the triple-A rated swaps unit set up by the US investment bank to boost its ability to do business with credit-sensitive clients, could point the way for other banks of declining credit quality.

The concept of a triple-A rated derivatives unit, isolated from its parent bank, has intrigued bankers since the mid-1980s, but Merrill is the first firm to realise a workable structure for such a unit. The closest precursor, Credit Suisse Financial Products, is a subsidiary of Crédit Suisse, and depends for its triple-A rating on the backing of the Swiss bank.

But other firms are now likely to try to imitate the MLDP structure. Among banks believed to have explored the idea are Citicorp and Salomon Brothers.

In the past few years, some banks have tried to attract the backing of insurance companies, several of which subsequently realised they could get a better return on capital by going into the business on their own – the most notable success story being AIG Financial Products.

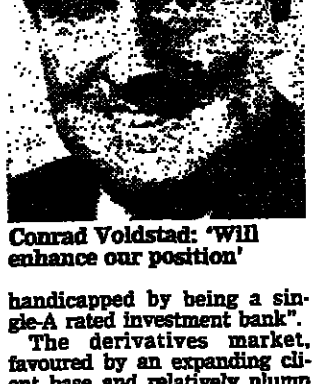
MLDP, backed by $300m of capital from Merrill Lynch and $50m of preferred stock, will act as an intermediary between AA and AAA-rated clients and Merrill Lynch Capital Services, Merrill's traditional swap dealing entity.

Initially, the unit, which will be up and running in the first week of December, will provide interest rate and currency swaps and interest rate options. But equity derivatives will be offered in a few months time and currency options will also be added to the menu.

"The (swaps) market was always very credit conscious," said Mr Flavio Bartmann, a director of MLDP. Swap counter-parties became increasingly nervous about credit risk after the demise of Drexel Burnham Lambert, the US junk bond specialist, and a spate of downgrades of US banks in the late 1980s. "Market participants have been paying substantial premiums to deal with the few triple-A rated banks around," said Mr Bartmann.

Mr Bartmann is one of the five-strong swaps team, headed by MLDP's chief executive, Mr Conrad Voldstad, which joined Merrill in 1988. The team realised the power of a triple-A rating, having joined the firm from J. P. Morgan.

During the following year, Merrill was caught up in a drastic restructuring of its business, as well as having to contend with unfavourable bond market conditions. Although the debt group was "performing well" in these difficult circumstances, according to Mr Bartmann, the group's push to build a distribution network for swap products was "very handicapped by being a single-A rated investment bank".



Conrad Voldstad: 'Will enhance our position'

The derivatives market, favoured by an expanding client base and relatively plump margins, has been a crucial competitive arena for banks during these years. It is also an area where banks can provide a "value-added" service which acts as a stepping stone to other business, such as bond underwriting. So for lower-rated banks there is a danger that a competitive disadvantage in the crucial derivatives area could feed through into other areas. "Merrill's swap business is integral to its debt securities. . . business around the world," noted Mr Edson Mitchell, chairman of MLDP.

Because of its dominance of the US corporate bond market, Merrill Lynch is still the world's leading underwriter overall, but its position in the Eurobond market has slipped a little in recent years, to 10th place so far this year, according to Euromoney.

"The new subsidiary will significantly enhance our position as a swap counterparty with highly-rated international clients. . . ", said Mr Voldstad, allowing Merrill to expand in areas where a Triple-A credit rating is a precondition.

Merrill decided at the end of 1990 that the focus needed to achieve a triple-A rated entity was to isolate credit risk.

"The innovation is that the structure separates credit risk and market risk - and involves a minimal amount of credit risk," explained Mr Bartmann.

However, the structure also requires substantial capital, which could deter other players. Merrill clearly expects the return on capital to justify the initial input: the target for the bank as a whole is a 15 per cent return on capital, and a strong derivative unit is expected to help that target to be met.

"The biggest failure would be to have simply created a stand alone unit," suggests Mr T.J. Lim, head of non-dollar swaps, since that would defeat the purpose of the operation. "We do not view it as a separate business but as part of our integrated capital markets services," agreed Mr Bartmann.

Wall Street fall-out brings postponements

FALLING US share prices started to take their toll on new issues in the international equity market yesterday as bankers said that postponements are now inevitable until the current volatility recedes, writes Richard Waters.

The transactions most in danger of stalling appeared to be those being brought in the US market where portions of the issues had been targeted at international investors. A handful of these, which had already been marketed and were expected imminently, appeared the most vulnerable as US share prices fell in early trading in New York, bankers said.

In one of these, for Burlington Northern, a railway company, Morgan Stanley is offering 1.8m shares in the international market. The international portion of the issue, which also involves Merrill Lynch and Goldman Sachs, was worth around $65m after

INTERNATIONAL EQUITY ISSUES

the morning session in the US yesterday.

It remained unclear after early trading whether the issue would now be postponed.

Meanwhile, advisers to the three big privatisations currently being brought in the international market said their deals would not be shelved as a result of the market volatility.

Marketing for the BT issue began a week ago and continues until early December, and Warburg, the lead adviser, has already begun the process of book-building through which it will establish the eventual price of the institutional portion of the issue. However, firm bids from institutional investors around the world were not expected until towards the end of this process.

Had Warburg proceeded with a traditional UK fixed-price, underwritten issue, it would today have had to fix the discount for the shares – a difficult process given market conditions, and one which could have forced the government to accept a hefty discount.

However, the book-building procedure means that the government's receipts from the issue could shrink if share prices fall further in the coming fortnight. The shares closed yesterday at 350p, compared with 380p at the time the issue was announced.

Paribas, responsible for the privatisation of Crédit Local, the French local authority bank, said the 20 per cent of shares in the international portion of the issue had already been heavily oversubscribed.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Nov 19 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Nov 18 Index No.	Fri Nov 15 Index No.	Thu Nov 14 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (181)	768.04	-1.8	9.10	6.34	13.99	32.12	782.21	792.08	797.37	712.74
2	Building Materials (23)	930.07	-3.2	7.88	6.70	16.77	41.35	960.75	973.65	986.22	961.37
3	Contracting, Construction (30)	1012.49	-1.3	7.90	7.26	18.07	50.73	1026.24	1043.53	1054.89	1143.05
4	Electricals (11)	2381.85	-1.0	9.08	6.13	13.96	98.23	2405.78	2443.83	2457.87	1886.26
5	Electronics (25)	1680.61	-1.1	11.03	5.68	11.52	51.95	1698.61	1730.03	1722.96	1623.72
6	Engineering-Aerospace (8)	335.05	-2.1	16.73	7.75	7.22	18.52	342.26	344.33	346.01	409.38
7	Engineering-General (43)	464.60	-1.2	10.49	5.38	11.75	16.79	470.07	477.07	478.31	353.89
8	Metals and Metal Forming (9)	331.51	-4.1	2.23	10.69	-	18.43	345.75	351.11	353.27	383.07
9	Motors (12)	312.45	-2.1	8.28	7.71	16.03	17.56	319.19	323.13	322.31	290.28
10	Other Industrial Materials (20)	1517.70	-1.3	8.30	5.37	14.31	57.59	1538.00	1549.65	1566.58	1192.59
21	CONSUMER GROUP (190)	1545.55	-1.3	7.46	3.63	16.59	36.47	1565.28	1601.30	1607.13	1200.74
22	Brewers and Distillers (22)	1877.59	-1.6	8.20	3.58	14.84	38.33	1908.80	1939.78	1940.56	1533.19
25	Food Manufacturing (19)	1171.81	-1.3	9.78	4.29	12.66	30.09	1186.74	1209.32	1212.89	1013.36
26	Food Retailing (17)	2270.41	-1.7	10.02	3.63	12.99	58.06	2309.95	2383.89	2398.62	2255.76
27	Health and Household (23)	4062.45	-1.0	5.07	2.37	22.68	67.75	4104.54	4247.65	4257.72	2384.47
29	Hotels and Leisure (24)	1307.88	-1.3	7.80	5.38	15.87	45.61	1325.32	1347.88	1355.80	1231.51
30	Media (26)	1418.48	-1.8	7.41	5.03	17.63	47.37	1444.74	1471.11	1474.15	0.00
31	Packaging, Paper & Printing (17)	737.64	-1.4	7.32	4.50	16.56	24.09	748.37	766.24	770.33	497.69
34	Stores (32)	1011.82	-0.7	7.49	3.66	17.49	25.03	1018.81	1030.86	1039.64	816.87
35	Textiles (10)	624.92	-0.3	7.44	4.97	17.13	19.91	626.72	640.26	642.37	418.93
40	OTHER GROUPS (110)	1195.45	-1.6	9.94	5.47	12.70	36.29	1214.88	1232.49	1244.21	977.41
41	Business Services (12)	1346.28	-1.5	7.35	4.85	17.27	39.29	1366.59	1378.66	1387.34	0.00
42	Chemicals (21)	1387.24	-0.7	7.14	5.28	17.41	48.39	1397.66	1411.62	1421.57	1027.35
43	Conglomerates (11)	1374.82	-1.4	10.51	7.62	11.54	38.87	1394.43	1418.19	1435.77	1266.85
44	Transport (13)	2286.19	-0.8	5.84	4.97	22.02	68.25	2303.76	2310.56	2318.62	1815.71
45	Electricity (16)	1163.47	-0.6	15.10	5.59	8.64	27.53	1170.84	1182.87	1193.01	0.00
46	Telephone Networks(4)	1421.64	-2.4	10.86	4.38	12.06	28.34	1456.04	1485.68	1502.78	1135.00
47	Water(10)	2260.14	-1.5	18.29	6.84	6.04	125.82	2295.11	2358.02	2380.24	2031.88
48	Miscellaneous (23)	1757.93	-2.8	5.61	5.61	24.70	70.30	1808.26	1832.29	1853.93	1484.10
49	INDUSTRIAL GROUP (481)	1239.80	-1.5	8.54	4.70	14.68	35.98	1258.27	1281.46	1289.20	1013.57
51	Oil & Gas (19)	2293.93	-0.5	11.40	6.06	11.59	103.73	2305.10	2332.75	2321.67	2286.04
59	500 SHARE INDEX (500)	1330.92	-1.3	8.88	4.87	14.22	41.31	1349.13	1372.95	1379.48	1118.02
61	FINANCIAL GROUP (91)	745.38	-2.3	-	6.25	-	32.19	762.73	771.95	779.04	709.74
62	Banks (9)	872.72	-2.4	4.77	6.11	39.60	37.46	894.51	902.57	910.70	761.84
65	Insurance (Life) (7)	1451.16	-1.0	-	5.84	-	63.68	1465.67	1480.70	1508.95	1276.49
66	Insurance (Composite) (6)	537.62	-3.6	-	8.17	-	32.94	557.80	566.16	573.11	609.08
67	Insurance (Brokers) (10)	1030.11	-4.0	7.96	6.47	16.54	43.14	1073.48	1098.89	1105.40	948.03
68	Merchant Banks (7)	485.56	-0.6	-	4.42	-	13.08	488.33	498.05	495.05	345.42
69	Property (35)	856.77	-2.0	6.31	5.44	22.39	25.28	874.52	883.74	889.33	972.20
70	Other Financial (17)	243.33	-0.5	11.65	7.10	10.80	11.72	244.63	250.15	249.91	243.07
71	*Investment Trusts (70)*	1173.05	-1.0	-	3.69	-	29.18	1184.34	1213.14	1213.91	1004.25
99	ALL-SHARE INDEX (661)	1190.42	-1.5	-	5.01	-	38.60	1208.01	1228.71	1235.09	1017.38

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 18	Nov 15	Nov 14	Nov 13	Nov 12	Year ago
FT-SE 100 SHARE INDEX‡	2463.1	-39.8	2517.3	2450.4	2502.9	2546.6	2561.6	2546.5	2575.5	2115.2

FIXED INTEREST

	PRICE INDICES	Tue Nov 19	Day's change %	Mon Nov 18	Accrued Interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (27)	122.01	-0.03	122.05	1.90	10.75
2	5-15 years (28)	134.98	-0.12	135.14	2.43	11.84
3	Over 15 years (8)	143.56	-0.03	143.61	2.31	11.50
4	Irredeemables (6)	156.85	-0.11	157.02	0.79	13.45
5	All stocks (69)	133.19	-0.08	133.30	2.24	11.60
	Index-Linked					
6	Up to 5 years (2)	167.71	+0.04	167.64	0.50	3.16
7	Over 5 years (9)	150.09	+0.11	149.93	0.99	3.83
8	All stocks (11)	151.39	+0.10	151.24	0.92	3.81
9	Debs & Loans (60)	113.23	+0.03	113.19	2.07	9.62

	AVERAGE GROSS REDEMPTION YIELDS		Tue Nov 19	Mon Nov 18	Year ago (approx.)
	British Government				
1	Low	5 years	8.60	8.57	10.17
2	Coupons	15 years	9.48	9.47	10.57
3	(0%-7¾%)	20 years	9.48	9.47	10.59
4	Medium	5 years	9.75	9.73	11.17
5	Coupons	15 years	9.61	9.59	11.03
6	(8%-10¾%)	20 years	9.56	9.56	10.98
7	High	5 years	9.97	9.93	11.29
8	Coupons	15 years	9.69	9.67	11.23
9	(11%-)	20 years	9.61	9.60	11.21
10	Irredeemables		9.68	9.67	10.83
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.74	3.75	3.83
12	Inflation rate 5%	Over 5 yrs.	4.22	4.23	4.19
13	Inflation rate 10%	Up to 5 yrs.	3.08	3.08	2.51
14	Inflation rate 10%	Over 5 yrs.	4.03	4.04	4.00
15	Debs &	5 years	11.35	11.35	13.69
16	Loans	15 years	11.18	11.18	13.18
17		25 years	11.01	11.01	12.73

‡Opening index 2516.6; 9 am 2509.0; 10 am 2500.9; 11 am 2487.4; Noon 2480.3; 1 pm 2470.5; 2 pm 2467.2; 2.30 pm 2472.3; 3 pm 2470.8; 4.10 pm 2458.1; (a) 8.36am (b) 3.56pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	58	14
Corporations, Dominion and Foreign Bonds	1	6	13
Industrials	187	423	874
Financial and Properties	60	280	424
Oils	14	32	44
Plantations	1	1	8
Mines	53	13	87
Others	40	69	55
Totals	366	882	1,519

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	2½	2	Butte Mining Wrrnts.	2½		-	-	-	-
†	F.P.	-	110	83	Capital Ventures 1p	83		-	-	-	-
4	F.P.	-	9½	3	Culver 1p	4½		-	-	-	-
100	F.P.	-	102	95	Drayton Recovery Trust	95	-1	M7.8	-	10.9	-
25	F.P.	-	26	26	‡Dumas Group 10p	26		-	-	-	64.2
-	F.P.	-	23	18	Eng. & Scot. Wrnts.	18	-1	-	-	-	-
-	F.P.	-	320	188	Eurotunnel '91 Wrnts.	200	-8	-	-	-	-
m500	F.P.	-	507	473	Fidelity Euro Values Units.	474	+1	-	-	-	-
§§235	F.P.	-	283	256	Frost Group	271	-4	d2.0	0.9	1.0	11.6
195	F.P.	-	216	206	JIB Group 10p	206	-4	R7.5	1.8	4.9	15.3
587	F.P.	-	570	563	°Latin Am Extra Yld	564		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

‡ Amount paid up ... cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. n Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ◊ Dealisted securities market. ◊ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ° Unregulated collective investment scheme. ‖ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Nov. 18
- Last Dealings Nov. 29
- Last Declarations Feb. 20
- For settlement Mar. 2

For rate indications see end of London Share Service

Calls in ASDA, Automated Security, Cabra Ests., Conroy Pet. & Nat. Res., First Natl. Finance, Lasmo and Ross Group. Put and call in Maxwell Comm.

LONDON TRADED OPTIONS

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Alld Lyons (*589)	550	47½	67½	74½	9	15	23
	600	19½	38½	47½	32	38½	45½
	650	6½	20½	29	67½	69½	75½
ASDA (*40)	34	8	9½	-	½	2¼	-
	40	-	-	8½	-	-	7¼
[illegible]							

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
BAT Inds (*611)	600	13	38½	46½	2¼	15½	24½
	650	½	15	23½	39	39	49½
BTR (*378)	360	18	32	36	½	6¼	13½
	390	1	13½	21	12½	20	29½
Brit. Telecom	330	19½	26½	-	½	8	-
[illegible]							

Option		CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
Lonrho (*221)	220	7½	13	16½	5	15	17½
	240	1¼	5¼	10e	19½	30	32
Midland Bk (*220)	220	9½	17	24	6	11	12½
	240	2½	9½	15£	20½	22	24
[illegible]							

Premiums shown are based on middle prices.

Cockle shortage restricts progress at Hazlewood

By Bronwen Maddox

SEVERE SUPPLY problems in cockles and flat fish restricted Hazlewood Foods, the Derby-based food manufacturer, to a 2.6 per cent rise in profits for the half year to September 28.

Turnover also rose 2.6 per cent, to £294m (£286.7m), but operating profits managed only a 1.4 per cent increase to £27m (£26.7m) because of higher frozen food costs. However, lower interest charges gave a pre-tax outcome of £23.1m (£22.5m).

Sutherlands, the rival bought in July for £34.7m in shares, contributed one month and about £500,000 within the half year, but the increased capital meant that group earnings growth was held to under 1 per cent at 7.56p (7.5p). The interim dividend is 2.2p (2.1p).

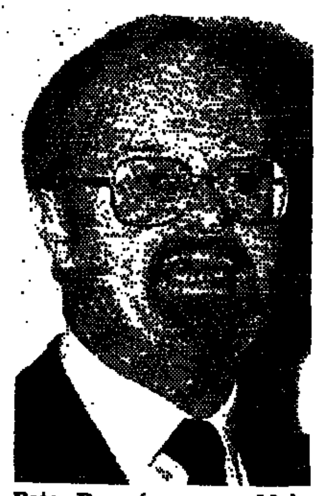
Mr Peter Barr, executive chairman since the board reshuffle after the Sutherland deal, said the main problem was the scarcity of flat fish, resulting in "unreasonable" high prices, which for some supplies rose by 50 per cent. Dutch cockle beds were also "devastated" by heavy storms and high tides, and the Dutch government has restricted harvesting until the beds recover.

He added, however, that flat fish margins had now returned to normal levels and the group expected growth in the second half.

Heavy investment in ready meals, with a new factory at Wrexham costing an estimated £9m and £3m of new equipment in the Netherlands, had cut into cashflow but the effects had not yet been felt.

Mr Barr reported that grocery businesses achieved underlying growth of 21 per cent in operating profits, helped by new mineral water bottling capacity, and new products in bakery.

Sutherlands, which makes sandwiches, sausages, pre-prepared meals and quiches, was part of the group's strategy to expand in fresh food, where underlying profits growth of 17 per cent was recorded.



Peter Barr: 'unreasonable' high prices for flat fish

Interest charged fell to £3.9m (£4.1m) because of the £59m sale of the confectionery companies in July 1990. Net debt in September was £107.7m, equal to 72 per cent of shareholders' funds, compared to 59 per cent in March.

● COMMENT

The results show that growth prospects remain not just modest but hard to predict. That hardly helps the group's rehabilitation – an acquisitive stock market favourite in the 1980s, it tripped over badly in 1990. The impact of the recent investment programme on profits and cashflow had been well telegraphed and accepted by the market. The cockles problems could not have been; the Dutch government announced the cockle harvesting restrictions only in September, at the start of the season. The problems of the first half should partly alleviate in the second, and the group seems on course for £57m pre-tax for the full year (£51.2m) and earnings of 18.2p (17.1p). However, given the market's recent lack of enthusiasm for the non-branded foods sector, the p/e of 10 shows some generosity.

A campaigning hawk finds few reasons to be cheerful

Andrew Baxter looks at the machine tool maker FMT, just 'coping' in the face of recession

AS BRITAIN's machine tool industry grapples with its second year of recession, the head of one of the country's most advanced producers is trying hard to be cheerful.

In his factory on the outskirts of Brighton, Mr Mike Bright, chairman of FMT Holdings, holds up a front suspension spindle made at a factory near Stratford for export to Ford Motor in North America.

The £12.5m Rockwell Automotive machine shop, incorporating 20 of Mr Bright's FMT machining centres in a computerised, integrated system with robots, lathes and machine tools from other producers, was designed by the Brighton company, one of few UK machine tool builders capable of the task.

For Mr Bright, FMT's achievement at Rockwell is a welcome relief from contemplating the effects of the recession. Orders in FMT's sector of the UK machine tool market – from which the company normally derives 70 per cent of its business – have plunged 50 per cent over the past year, above the average 40 per cent for the whole market.

In the first half of this year, Mr Bright had to reduce the workforce from 440 to 340, shedding workers whose training skills were used to develop younger employees. "It is a tragedy that employees in the forefront of technology – the trainers of the future – are lost while the government spends millions on training programmes," he says.

Mr Bright warns he may have to make further redundancies if the trading situation does not improve by the end of the year. FMT's sales could fall to £14m this year from £19.8m in 1990, Mr Bright suggests.

"We're coping," he says. But he warns that the recession has put back FMT's overall development plans by five years, and does not see any real upturn in business until 1993. The company is heading for a loss this year after pre-tax profits of £908,000 in 1990.

The future of companies such as FMT is important if the UK is to retain its position as seventh largest machine tool producer. "Britain needs its Mike Brights and its FMTs," says the head of one of the country's biggest producers.

Almost alone among UK-owned machine tool makers, FMT is competing head-on with the Japanese and Germans in one of the most promising areas of factory automation – flexible machining centres which group machine tools together in computer-controlled "cells".

Consequently, maintaining FMT's product development programme is vital to remain competitive for when, perhaps late next year, the depleted UK manufacturing sector gradually resumes buying sophisticated machining centres.

Along with other producers, FMT wants the government to support capital investment by customers in manufacturing through the restoration of full first-year capital allowances or tax and depreciation breaks similar to those enjoyed by Japanese capital goods producers.

Along with other producers, FMT wants the government to support capital investment in manufacturing through the restoration of full first-year capital allowances or tax and depreciation breaks similar to those enjoyed by Japanese producers.

The Machine Tool Technologies Association is also lobbying the Department of Trade and Industry for £1bn of pump-priming grants to industrial customers. Campaign leaders concede it would take a fundamental change in the government's stance towards manufacturing for it to succeed.

Even so, last week the MTTA kept up the pressure with a report it has commissioned from the Warwick Business School arguing that the government should provide an institutional, cultural, economic and policy environment to encourage increased investment by manufacturers in capacity, technology and skills.

Mr Bright, viewed within the industry as a "hawk" on campaign issues, prefers to describe himself as a "constructive lobbyist." He wants the official encouragement of purchases by industry of high-technology machine tools to create an "industrial impetus" such as Japan has long had.

He could be forgiven, though, for expressing some exasperation after the events of the past 18 months. He had joined FMT, then called KTM, in 1981, and with a small group of colleagues developed a product strategy in the mid-80s that focused on sophisticated machining centres. This required the ability to link the latest machine tool hardware with software and, ultimately, computers.

Encouraged, he says, by Mrs Thatcher's "good housekeeping policies" of the early 1980s and by a crucial co-operation agreement signed in 1984 with Siemens, the German electronics group, Mr Bright concluded that, provided KTM could continue spending £1m a year on research and development, small could be beautiful.

So in 1988 Mr Bright and five senior managers bought KTM from Vickers, the engineering group, in a £10.6m buy-out.

The deal was deliberately structured to give KTM a balance sheet strong enough to finance its spending on technology, and allowed it to spend £2m on two acquisitions in 1989: Kearns-Richards, a Manchester-based maker of larger machining centres which had gone into receivership, and Gateshead-based Noble & Lund, maker of gantry-type plano-milling machines and aerospace profilers.

FMT's vital product development programme has been maintained, and a new K-R machining centre will be launched next month.

But the recession has slowed some of Mr Bright's plans. The pace of technology transfer from the more sophisticated FMT to its two new sister companies has been checked, and a redevelopment of an old paint factory at the front of FMT's Brighton site, into a research and development centre, has been postponed.

Last year FMT had also identified potential partners in Europe which could help increase its continental sales and strengthen the company generally. But as 1991 approached, "the Germans took one look at our economy and said decisions should be put on the back burner."

Mr Bright is particularly upset about the fate of a £3.5m order won this summer to supply machine tools for the Linyi Construction Machinery Factory in China's Shandong province. Having spent months winning the order, FMT has been told by the UK government that there is no money available to support it under its "Aid for Trade" soft loans programme, and the contract now looks doomed.

Mr Bright is at a loss to understand why the government is concentrating such funding on Third World infrastructural developments rather than manufacturing projects such as Linyi. "At a time of a recession, this is reducing our manufacturing base, which the government is still failing to support in anything other than words," he laments.

Nevertheless, Mr Bright is putting a brave face on FMT's fortunes, even if it will be 1994 before it has fully recovered from the recession. "With our technology and our customers' confidence, I've no doubt we shall be coming through to the year 2000 strongly."

NEWS DIGEST

Casket pays interim on £1m profit

AS A RESULT of the programme of reorganisation and reconstruction in the retained businesses, the disposal or closure of loss-making activities and a reduction in interest charges, Casket increased first half profits from £27,000 to £1.05m.

Earnings per share were 0.86p (losses 0.08p) and shareholders will receive a dividend of 0.15p, the first interim for three years.

Turnover on continuing operations rose from £29.7m to £35.4m. In clothing it was up to £21.4m, against £20.1m, in trading conditions "considerably worse than the first half of last year", but pressure on margins led to reduced operating profit, said Mr Joe Smith, chief executive.

In leisure, the bicycle operations grew substantially in turnover and operating profit, and the group estimated it had 16 per cent of the UK market.

Blue Box Toys, however, experienced a substantial reduction in results and the 70 per cent shareholding is being sold to the Hong Kong partner which holds the minority stake.

Earlier this month the group acquired Chic Apparel, a maker of childrenswear, for a nominal amount.

Govett American net asset value lower

Govett American Endeavour Fund, the fixed-life fund which invests in small companies located in the US, announced lower profits of $3.81m (£2.15m) for the half year to September 30. The figure last time was $4.26m.

Net asset value at end-September amounted to $1.68 (96p) per share, against $1.72 a year earlier.

Investment and dividend income totalled $7.13m ($8.3m). Earnings per share fell to 6.99 cents (7.82 cents) and a gross interim dividend of 6.99 cents (9.18 cents) is declared.

Caravan operation pulls down Cosalt

A £1.72m downturn at the trading level on the caravan side hit Cosalt in the year ended September 1, and its pre-tax profit fell from £3.78m to £2.47m.

However, the final dividend is maintained at 6.5p for an unchanged total of 10.75p. Earnings per share fell to 15.05p (22.71p).

Trading in the recession continued to be hard; markets were static and competition was restricting margins, according to Mr Edward Brian, chairman.

The caravan division suffered a loss of £93,000, against a profit of £1.63m, mainly because of a severe fall in demand. But strengthening the management was already having a beneficial effect.

The safety and protection side progressed well and lifted profit to £1.52m (£1.09m). The fibres operation made a profit of £1.7m (£1.63m) but workwear fell to £613,000 (£715,000) reflecting reduced demand from rental clients.

Bank borrowings, including the planned investment of £1.72m in the construction of the first phase of the North Shields Central Riverside development, represented 40 per cent of shareholders' funds.

Surrey Group back in the black

Surrey Group, the USM-quoted bookmaker, announced a pre-tax profit of £117,000 for the six months to September 30 against a £198,000 loss for the comparable half year.

Turnover was up from £18.2m to £25.1m as the number of outlets increased from 73 to 81.

"The company is on the way to achieving the critical mass necessary for economies of scale and an improvement in net margins," directors said.

Earnings per share came out at 0.09p, against losses of 0.23p.

Stratton Trust asset value up

Over the six months to September 30 net asset value of Stratton Investment Trust improved by 10p to 188p per share. A year earlier it had stood at 146p.

Gross revenue for the period eased to £396,000 (£405,000), and after-tax revenue fell to £142,000 (£181,000). Earnings per share were lower at 1.12p, compared with 1.43p.

Goldsmiths falls £2.09m into red

The recent decline in the fortunes of the Goldsmiths Group, the jewellery retailer, continued in the six months to September 2 with the recession still being blamed. There was a pre-tax loss of £2.09m, against a profit of £44,000.

Turnover fell from £18.1m to £16.4m with like-for-like sales falling 11 per cent. Mr Jurek Piasecki, chairman, said that the south-east of England was the worst affected area and premier watch brands the worst affected products.

Losses per share stood at 6.38p, against earnings of 0.13p.

However, the interim dividend is maintained at 1.5p. Mr Piasecki said there was evidence of an upturn which he hoped would continue through Christmas.

UK COMPANY NEWS

Anglian Water advances by 9%

By Michiyo Nakamoto

ANGLIAN Water, geographically the largest of the ten privatised water companies, said it has no intention yet of moderating its price increase next year as it unveiled a 9 per cent rise in interim pre-tax profits, from £84.8m to £91.9m.

The company and South West Water are the only two privatised water companies to resist pressure from Mr Ian Byatt, the industry regulator, to voluntarily abate their price increase next year. Anglian emphasised that it still had some time before a final decision was due in January.

Mr Alan Smith, managing director, blamed the impact of the recession for the company's stance. "Had it not been for the recession I have no doubt that we would have already announced our intention to abate the increase in our charges," he said.

The recessionary impact, described as "unprecedented" in Anglian's region, was reflected in turnover which was up by 14 per cent to £261m (£228.5m) but still about 2 per cent lower than the company had expected.

"While the industry is recession resistant, it's not exactly recession proof," said Mr Chris Mellor, director of finance.

The results were somewhat lower than expected and the shares slipped 7p to 353p.

Anglian, which saw the lowest dividend increase among the ten companies at the year end, is raising its interim dividend by 8.6 per cent to 6.3p (5.8p). Earnings per share increased by 9 per cent to 29.1p (26.7p).

The capital investment programme was on target at £150.2m for the first half, of which £56m went into sewage treatment and disposal.

Operating costs, including depreciation charges, rose a substantial 17 per cent to £159.3m (£136.2m) while interest costs rose by 22 per cent to £10m (£8.2m).

Net borrowings were £209.2m (£130.5m). Anglian was privatised with net debt, unlike most other water companies which inherited a cash surplus from the government.

The company, which has been very conservative about diversifying outside its core water business, indicated a much more positive stance towards diversification than it has taken previously. While its core business would always be given top priority, inevitably other businesses would have to be studied as the regulatory regime gets tougher, Mr Smith said.

● COMMENT

It is difficult to find fault with a company that is as true to its word as Anglian Water is. Profits delivered at the halfway stage may have been somewhat lower than forecast, but not dramatically so. And in just about all other respects the results were largely as expected. Even operating costs, which looked to be on the higher side of expectations, were actually somewhat lower than forecast. For the full year pre-tax profits are being forecast at about £173m while a dividend of 19p would give a yield of 7.2 per cent. Although the risk attraction of Anglian justifies a lower yield than the 7.5 per cent for the sector, it is just as vulnerable to political uncertainties overhanging the water companies, making the shares look fair value for the time being.

News Intl to pay £5.4m for BSkyB minorities

By Bronwen Maddox

NEWS INTERNATIONAL, the UK arm of Mr Rupert Murdoch's media empire, yesterday agreed to pay £5.4m to buy out minority shareholders in British Sky Broadcasting, the satellite television company of which it owns 50 per cent.

The 51 minority shareholders, who were shareholders in Mr Murdoch's Sky Television before its merger with rival British Satellite Broadcasting a year ago, owned debt and equity amounting to 0.7 per cent of BSkyB.

Scaled up proportionately, the buy-out would imply a value of £770m for the whole venture, in which Pearson, publisher of the Financial Times, has an investment.

However, analysts emphasised that an estimate of BSkyB's value based on the buy-out might well overstate the real worth.

Mr Robert Collins, head of satellite and cable research at stockbrokers Kleinwort Benson Securities, said "It is clear that News was very keen to get rid of the minorities quickly and make an offer that would be accepted right away. Also, part of the minorities were convertible loans stock, ranking above equity and proportionately more valuable".

News International was obliged under the Takeover Code to make an offer to the minority shareholders after the November 1990 merger between Sky and BSB.

However Mr Mike Hildesley at Morgan Grenfell, the UK merchant bank advising News International on the deal, said that because of the complexity of the terms of the merger it had not been possible to devise an exact cash equivalent of the terms received by News International.

Rothschilds, the UK merchant bank, appointed as independent adviser in the deal, is recommending acceptance.

Some of the minority shareholders date back to the first episode in Sky Television's story in 1982 when it was broadcasting to Norway and Finland under the name Satellite Television.

TV-am and TVS plan cuts for final 14 months

By Bronwen Maddox and Guy de Jonquières

TWO OF the ITV stations which recently lost their franchises are to slash costs for the remaining 14 months of their broadcasting lives.

TV-am, the breakfast station, is to take its news service from British Sky Broadcasting from March 1, following last month's deal to merge the two companies' sales operations.

TVS Entertainment, which serves the south and south-east of England, will be cutting its regional programmes by two hours a week, 14 per cent, to the minimum 12½ hours required.

TV-am said it expected some of its 120 journalists to join Sky News, but that there would be an unspecified number of job losses. At present, TV-am maintains a permanent reporting and production staff to broadcast 3½ hours of news daily.

TVS would continue making network programmes, such as the Ruth Rendell mysteries, "for as long as the ITV network wants" said Mr Tony Brook, managing director. But he added: "I expect action will be slowing down a lot after next April".

The group's 800 staff will face a "phased redundancy plan" starting in the new year.

Mr Brook said that TVS and Meridian, the winner of the franchise, had discussed which TVS staff Meridian might hire. TVS also wanted to establish whether Meridian wanted to buy any of its property, studios, equipment or programme rights.

The group indicated when it lost the franchise that an orderly liquidation was the most likely future.

The group declined to comment about plans for its most troublesome asset MTM Entertainment, the lossmaking Hollywood studio which has been the cause of the group's financial difficulties.

TVS said yesterday said that its bankers had reaffirmed the group's bank facilities until the end of the franchise. TVS has a US facility of about $95m (£54m), which was organised by Chemical Bank.

Blue collar image fails to hamper growth

Gary Mead on Park Food's thriving former Christmas 'sideline'

IN 1967 a Birkenhead butcher grew tired of chopping gizzards from turkeys in the pre-Christmas rush. To liven up business, Mr Peter Johnson started a small sideline, packing cuts of meat into family-sized boxes and selling them as a special Christmas hamper.

In the first year Mr Johnson sold 600 hampers; now his company, Park Food, packs a hamper roughly every 90 seconds. Last year Park Food Group, still based in the north-west, showed a turnover of almost £120m, with a pre-tax profit of almost £4m.

Mr Johnson turned a passing thought into a successful enterprise, largely due to a marketing scheme which makes it easy for customers to buy the hampers and the company to sell them. When he sold his first hampers he drew up posters for his family's 12 Liverpool-based shops. His shop staff asked if they could sell the hampers on their council house estates, for a commission.

The simplicity of the idea spread to the point where Park Food's hamper division today has a UK network of 64,000 agents. They act as freelance sales representatives, receiving a commission of between 10 per cent and 25 per cent, depending on the quantity they sell.

Park will shift some 1.5m hampers this year, all timed for Christmas. Although the corporate gift hamper is an important prestige part of the company, at some £2m of total turnover it is a secondary concern – the vast bulk goes to households.

It is a difficult to define Park Food's place in the corporate spectrum.

"When I started this company what I was really doing was taking the savings tin off the mantelpiece," says Mr Johnson. When he floated Park on the Stock Exchange in 1983, the exchange authorities asked him which sector he wanted to be placed in – food or financial services? He opted for food.

Park Food thrives on thrift, providing a credit service to those getting by on low incomes, who find the enforced weekly saving of a small sum (going towards a hamper) easier than a once-off purchase. The seasonal goodies still arrive, but the purchasing blow is softened.

Another increasingly important consideration is that a hamper delivered to the door eases the tiring hassle of traipsing round shops, struggling against the hordes at the peak consumer time of the year.

Park's agents are recruited via direct mail, advertising (largely in woman's magazines and the tabloid press) and word of mouth. The company's network of agents is very stable, most come back every new year.

Johnson also relies heavily on the postcode in his marketing. Park matches its profile list of agents and likeliest consumer areas with that run by a company called National Demography and Lifestyle (NDL). Park is able to pinpoint customers and concentrate advertising and marketing energies.

"When I first started this business it was a scattergun approach. We just blitzed everywhere. Now we use more of a sniper's technique, spotting the likely target areas," says Johnson.

The Christmas hamper market is a British phenomena, Mr Johnson says. Customers for the savings plans are overwhelmingly blue-collar, , few of whom choose the top-of-the-range £1,165.77p "Olympus" hamper, which includes champagne and jugged hare.

Despite the UK's changing social fabric the Christmas hamper has remained remarkably buoyant, according to Mr Johnson.

Tinned peaches with added sugar are losing out to fruit bottled in natural juices, best-quality ham has replaced processed meat and other standard items have subtly altered, but the basic demand for a Christmas treat on a savings plan – particularly in a recession – is stronger than ever.

Lower costs help lift Readicut to £5.67m

By Michiyo Nakamoto

DESPITE REDUCED turnover, improved profitability in many of its businesses enabled Readicut International, the specialist textile group, to lift profits from £5.31m to £5.67m pre-tax over the six months to September 30.

The group attributed the rise to benefits of a cost reduction programme undertaken since the last financial year and a reduction in interest costs. It was also helped by lower raw material prices.

The group suffered the full impact of recession in the UK and US throughout the period while growing economic weakness was also felt in continental Europe.

Turnover fell to £103m (£107.5m) but all but two companies increased productivity, the group said.

Staff levels, which had been reduced by over 10 per cent during the last financial year, were reduced by a further 4.7 per cent. The interest charge fell from £1.36m (£1.67m).

However, while cutting costs, the group was making efforts to ensure that it had the capacity in facilities to manage the change from recession to an upturn. Extra capacity was being put in place in several key divisions.

The UK companies, in particular, were raising profitability so that the proportion of profits obtained from overseas dropped back to its traditional 30 per cent level, after having been up to 44 per cent in the past few years.

The interim dividend is maintained at 0.63p on earnings per share of 2.01p (1.84p).

● COMMENT

The rise at the interim stage confirmed Readicut's reputation as a solid performer. Although the benefits of lower polymer prices were considerable, most of the improvement came through sheer hard work to reduce costs and keep a tight grip on cash. The company is not looking for an immediate upturn. But timely action to combat the negative effects of the downturn means that when that upturn comes it will be ready for it. Forecast profits of £14m for the full year gives a multiple of 13, which is attractive given future prospects, and the dividend yield of 6.5 per cent is above average.

Bio-Isolates declines to £179,000

Bio-Isolates (Holdings), the USM-quoted whey protein isolation company, saw pre-tax profits for the first half of 1991 decline from £240,000 to £179,000.

Directors pointed out, however, that this was an improvement on the £38,000 achieved in the previous six months.

Turnover was £2.27m (£2.04m).

With minority interests contributing £45,000, against payment of £8,000 last time, earnings per share were 1.16p (1.2p).

Pittencrieff attacks AmBrit performance

Pittencrieff yesterday attacked the financial performance of AmBrit International, its fellow oil and gas exploration company for which it is making a £3.61m bid.

AmBrit made a profit in 1990 – its first since 1984 – but has since reverted to an interim loss. The shares have fallen from 25p in 1988 to 4p before the Pittencrieff offer on November 8: it paid no dividends over the same period. The shares were unchanged at 6p last night.

The cash offer of 5½p per share is "an escape from a declining investment," Pittencrieff said in its offer document.

Mr Alan Russett, AmBrit chairman, dismissed the offer as "absurdly low".

Fleming High net asset value dips

The second quarterly statement from Fleming High Income Trust showed that net asset value per share was 86.6p at October 31, compared with 90.2p three months earlier.

The year before it stood at 79.1p.

Earnings per share for the second quarter improved from 2.76p to 2.98p. There is a second interim dividend of 1.45p making 2.9p so far (2.85p).

BAT ahead at £662m despite mortgage indemnity losses

By Andrew Bolger

BAT INDUSTRIES said good results from the group's tobacco businesses and robust performances from other insurance operations had helped offset mortgage indemnity losses at Eagle Star, its UK insurance subsidiary.

Group pre-tax profit rose 11 per cent to £662m in the nine months to September 30, on turnover up 5 per cent at £14.3bn.

BAT said all its principal tobacco operations had performed strongly, with trading profit rising by 16 per cent in the third quarter. For the nine month period, trading profit was up 9 per cent to £702m.

Group cigarette volumes grew by 4 per cent. With buoyant sales of international brands, exports rose 25 per cent and accounted for almost 20 per cent of the total volume.

Sir Patrick Sheehy, chairman, said demand continued to grow in Far Eastern markets for both US and UK international brands, and progress in eastern European and other new markets remained encouraging.

BAT's financial services businesses showed an overall trading profit of £101m, despite Eagle Star's losses of £284m.

Farmers – its financial services arm in the US – increased trading profits by 13 per cent to £256m. In general business, higher fee income led to good profit growth for the management company. The growth in fees reflected an increase in policies in force and higher premiums.

Net premiums written grew by 11 per cent in dollar terms to £3bn and policies in force rose to 13.9m, up 7 per cent.

Sir Patrick Sheehy: buoyant export demand for tobacco

There were gains in all lines of business.

In Farmers' life business, universal life policies in force also grew by 7 per cent and this, together with higher investment income and better control of expenses, increased profits.

Farmers is to expand its range of life products.

Allied Dunbar, BAT's UK life assurance and unit trust subsidiary, contributed £90m to trading profits, up 6 per cent.

Total new business, as measured by new initial commissions, was down 5 per cent.

Income Protection Plan business continued to grow, but overall life production fell 1 per cent.

Pensions business was 11 per cent lower, in spite of an Advanced Voluntary Contribution Product showing good growth.

Sir Patrick said the board remained determined to reward shareholders with dividend increases in excess of the rate of inflation.

BAT's earnings per share rose by 27 per cent to 17.7p.

● COMMENT

Sir Patrick must wonder when he will see the end of Eagle Star's mortgage indemnity debacle. He studiously avoided predicting when the situation would improve, but analysts believe the pain should start to recede by the second half of next year. The tobacco businesses have had a strong third quarter and continue to throw off cash, and the other financial services businesses seem sound. BAT will probably have to use some of that money to again pay an uncovered dividend, and maintain the company's position as a yield stock. The belief that things must improve eventually at Eagle Star also makes the BAT shares something of a recovery play at yesterday's price of 614p, down 18p on the day.

Young's improves 14% and sees further growth

By Philip Rawstorne

YOUNG & Co's Brewery, the south London-based independent brewer, lifted pre-tax profits by 14 per cent, from £2.69m to £3.07m, in the half year to September 28.

The figures were achieved on turnover 9.5 per cent higher at £32.1m (£29.3m). Trading profit rose 8 per cent from £3.55m to £3.84m.

"These are good results during a recessionary period" claimed Mr John Young, chairman.

The outcome included a contribution of £248,000 from the sale of the shares in the management buy-out of Taunton Cider in May.

There was also a six weeks' contribution – just over £1m in turnover and trading profit of £83,000 – from the HH Finch chain of 22 pubs and six wine bars and restaurants acquired in August.

Mr Young said all the Finch's pubs had increased sales and continued growth was expected in the second half of the year. The company had since acquired another two pubs and was looking for more.

Earnings per share were 10 per cent higher at 15.45p (14.03p) and the interim dividend is raised from 6p to 7p.

Volex at £1.5m midway

ALL DIVISIONS of Volex, the electrical group, operated profitably and benefited from cost reduction programmes to produce pre-tax profits of £1.48m in the half year to September 30.

That compared with £3.28m in 1990, but showed an improvement over the £880,000 made in the second half.

Sales fell to £41m (£50.1m) principally as the result of selling the electrical accessories division and reduced demand from the auto industry. Within the overall figure was an increase in exports from 14 to 20 per cent of turnover, mainly stemming from the Pencon power leads and cordsets operation.

Pencon continued to be the most successful operation, said Mr Peter Frost, chairman. Serious consideration was being given to the acquisition of cable assembly companies which would complement it.

In the early part of the period the Raydex communications cable side suffered low volumes and poor efficiency because of delays in receiving contracts and internal industrial relations difficulties.

Because of the depressed motor industry Volex Wiring Systems continued to suffer from low demand and short time working. Over the past 12 months the workforce had been reduced by more than 450 people through wastage, redundancy and reorganisation.

Mr Frost did not anticipate that the situation in the division would improve in the next few months, and said the management would "take whatever steps are necessary in order to improve profitability in line with the forecast demand".

Earnings in the half year came to 6.4p (13.8p) and the interim dividend is again 6.5p.

Huntingdon drops 11% to £16.9m

By Andrew Bolger

Huntingdon International Holdings, the life sciences and engineering group, saw pre-tax profits drop by 11 per cent from £19m to £16.9m in the year to September 30.

Turnover rose from £104m to £123m but Huntingdon said the typical business surge which had historically occurred in both its sectors in the fourth quarter had not materialised.

Mr Bennie Wooley, chairman, said the group had not experienced any significant improvement in its markets. The US economy continued to stagnate and construction starts were severely depressed.

It was expected that difficult trading conditions would continue through at least the next two quarters and as a result the group's cost base had been reduced.

Earnings per share fell from 15.8p to 14.6p. A final dividend of 1.9p gives a total of 2.775p.

CML rises 11% and plans sale of ADRs

Increased sales and profits were achieved by CML Microsystems, a maker of specialised electronic products, in the half year to September 30.

Turnover rose 9 per cent to £6.88m (£6.3m), and reflected some headway against weakness persisting in many markets.

Pre-tax profit grew 11 per cent to £2.37m (£2.13m), while earnings per share moved up 16 per cent to 8.75p (7.57p).

The company is establishing an ADR programme in the US; effective dealings will be authorised from November 25.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglian Water ....int	6.3	Feb 17	5.8	-	17.5
Casket ....int	0.15	Mar 2	nil	-	0.2
Cosalt ....fin	6.5	Jan 22	6.5	10.75	10.75
Fleming High ....int	1.45†	Jan 3	1.4	-	5.75
Goldsmiths ....int	1.5	Mar 2	1.5	-	3
Govett American ....int	6.99‡★	Dec 19	9.18	-	17.68
Hazlewood Foods ....int	2.2	Jan 20	2.1	-	5.8
Huntingdon Intl ....fin	1.9	Feb 7	-	2.775	-
Readicut ....int	0.63☆	Feb 5	0.63	-	3.44
Thorn EMI ....int	9☆	Mar 6	9	-	30.5
Volex ....int	6.5	Feb 10	6.5	-	17
Young Brewery ....int	7†	Dec 13	6	-	13

Dividends shown pence per share net except where otherwise stated. ★Gross. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ‡US cents.

BOARD MEETINGS

TODAY

Interims- ASEA, Courtaulds, Forward Group, Foster (John), Hoskins Brewery, Parkland Textile, Scantronic, Vosper Thornycroft, Wagon Industrial, Whitbread, York Waterworks.

Finals- Fulcrum Inv Trust, Ranks Hovis McDougall, Shanl, Strategem.

FUTURE DATES

Interims-

BPB	Nov. 28
Brown & Tawse	Nov. 28
Cable & Wireless	Nov 21
Erskine House	Nov. 26
JF Fledgeling Japan	Dec. 2
GEI Intl	Nov. 28
General Electric	Dec. 4
Mid-Kent	Nov. 27
Midlands Electricity	Dec. 10
Stanley Leisure	Jan. 16
Syltone	Dec. 3
Tams (John)	Dec. 4
Vistec	Dec. 2
Vtech	Nov. 28

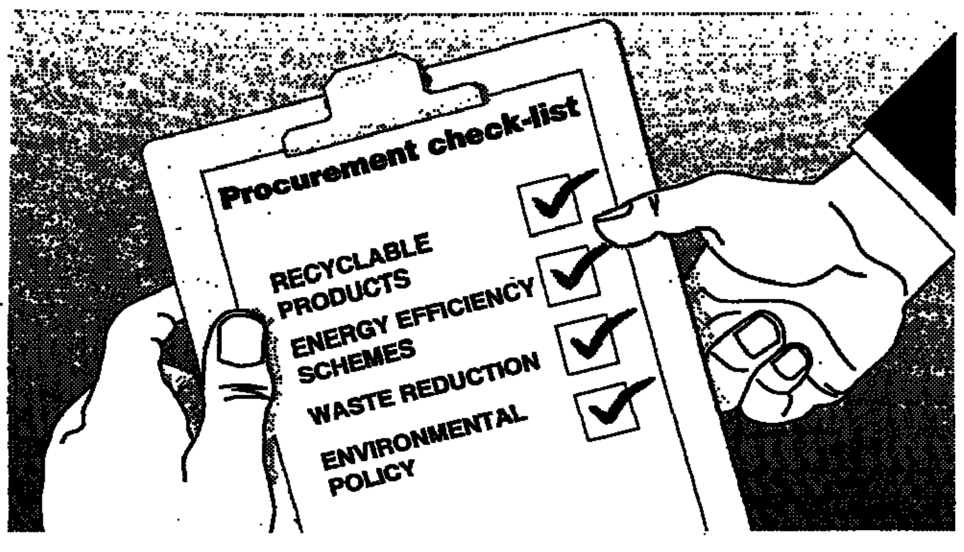
Finals-

Anglo Scandinavian Inv	Nov. 26
Gestetner	Jan. 15
Metro Radio	Nov. 25
Scottish Cities Inv	Nov. 22
Tunstall	Nov. 25

BUSINESS AND THE ENVIRONMENT

Peter Knight describes why buyers are demanding that suppliers show environmental credentials

Green badge of courage



Buy green where prudent and possible. This is becoming the motto of organisations as diverse as the German Post Office and the UK's do-it-yourself retail chain B&Q.

At IBM UK even the contract office cleaners are vetted for their ability to clean without using chemicals that damage the environment. And as part of its green buying policy the German Post Office has phased out battery-driven calculators in favour of solar-powered models because the batteries contain toxic chemicals.

"Suppliers throughout industry have got letters quizzing them but most are not sure how to respond because they are yet to establish an environment policy of their own," says Edwin Datschefski of the Environment Council, a charity that promotes good environmental practice in business.

Companies that espouse green goals cannot afford to be tainted by their suppliers' environmental transgressions. This is why an increasing number is beginning to include environmental criteria when selecting suppliers.

"It's an issue we can't afford to ignore," says Peter Thomson, director general of the Institute of Purchasing and Supply. "It tends to be the large companies which have been exposed to these issues in other markets."

Small companies are yet to take the issue seriously. Last year the Cranfield School of Management surveyed 200 small businesses and found that less than 10 per cent had a green supplier policy.

Thomson says this is understandable. "It is a daunting subject to take on as a serious commitment, especially for small companies which are finding it hard merely to tread water at the moment."

The effects of green buying policies are already being felt all along the supply chain. Some companies are finding their products more difficult to sell. But more importantly, opportunities are being created for those who can provide goods and services that are environmentally sound.

The recycling of printer cartridges is an example. Typewriter and some computer printers use print ribbons contained in a disposable plastic case. In the UK an estimated 14m cartridges are discarded every year. Inkwell, a small company in Bristol, saw the potential and invented the machinery to re-ink ribbons. It now runs a re-inking service where customers send spent cartridges through the post and Inkwell returns them a few days later.

Suppliers of disposable toner cartridges used in laser printers, such as Hewlett-Packard and Canon, have started a Europe-wide recycling scheme. This has been driven by tough laws in Germany and demands from customers.

The spent cartridges are collected and sent to Canon's toner plant in China where they are broken up and the raw materials recycled. Independent companies are selling refilled cartridges for re-use.

Many suppliers view demands for greener products as a threat. Companies such as Rank Xerox and HP resisted the use of recycled papers in their products until recently. The companies thought the papers would damage their products.

But Xerox now sells its own brand of recycled paper for its copiers and HP, after testing a number of different brands of recycled paper, recommends the papers that meet its specifications. Both companies admit that they changed their attitudes in response to pressures from customers.

These pressures can sometimes cause difficulties in the buyer-seller relationship. This is especially true for those companies which are trying to move away from adversarial relationships and develop long-term partnerships with their suppliers.

"In supply partnerships both sides make strategic investments. Environmental issues are highly strategic and they can test the relationship," says John Gillett, IBM procurement manager for northern Europe. He is responsible for a budget worth $5bn.

IBM, which was known in the past for its adversarial relationships with its suppliers, is now working towards long-term partnerships. IBM is also developing strong green policies and the environmental performance of its suppliers is one of the key factors which determines whether IBM does business with them.

Gillett says buyers following green guidelines have to adopt a diplomatic and innovative approach to preserve the sometimes delicate relationships with suppliers.

The approach can take many forms, depending on the attitude of the supplier and the difficulties they might have in responding to environmental demands. A common retort from suppliers under pressure to improve their environmental performance is to push up their prices to help pay for the necessary investment in cleaner manufacturing processes.

Gillett says one way of avoiding price rises is to work through trade bodies to encourage competitors, who often share the same source for components and raw materials, to ask for the same specifications.

The goal is to ease suppliers into a position where they make the necessary changes voluntarily. This, however, demands great tact on behalf of the buyer to prevent revealing competitive information, accusations of bully-boy tactics or cartel building.

Gillett recommends four steps to create a credible green buying policy:

- Build sound relationships with suppliers in which there is mutual respect.
- Make sure your staff understand the issues and support you.
- Create a vision of where you want to take your suppliers.
- Create environmental awareness and communicate the issues.

Most of IBM's suppliers, says Gillett, have been sympathetic to his environmental requests. A few companies have realised that a sound environmental performance gives them a competitive edge and have used their green credentials to win business.

One of the biggest problems facing buyers who have to comply with green policies is the lack of information on the environmental credentials of products and the manufacturing processes.

Universally accepted labelling schemes, which would give a green stamp of approval to products, processes and services, are yet to emerge. Some countries, such as Germany and Canada, run voluntary environmental labelling schemes, but most countries, as well as the EC, are struggling to produce their own.

Until the schemes are perfected, buyers have to do their own checking or trust their suppliers. This can be time consuming and problematic because some suppliers can be economical with the truth.

Take so-called environmentally-friendly papers. Recycled paper is not necessarily friendlier to the environment because much depends on where and how the paper is made. It is often difficult for buyers to make the best decisions based on the information provided by suppliers. Furthermore, there is no legal definition for the term "environmentally friendly", which leads to it being used simply as a marketing tool.

This problem applies to most products because manufacturers and suppliers do not know the extent of the impact their products have on the environment. Analysis is costly and industry is yet to fund the research on a broad scale.

Scientists are also beginning to change their views about the impacts of some materials on the environment. Phosphates in detergents, for example, were thought to be a damaging ingredient because they can be harmful to aquatic life. But new research has shown that in some circumstances phosphates could be better than alternative ingredients.

"I don't think it matters that there is growing confusion on many issues. Even the big companies have problems in digesting the information," says John Elkington of the Sustainability consultancy.

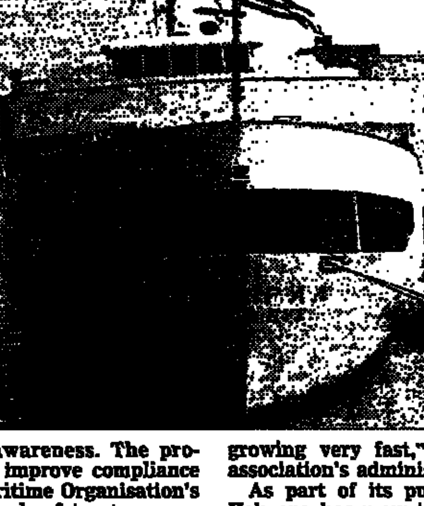
Greek shippers take the plunge for a cleaner sea

Kerin Hope on controlling pollution in the Med

On a winter stroll along a Greek beach, the detritus swept away by municipal cleaners in the tourist season is all too visible: plastic bottles, pieces of nylon rope, an old mattress, lumps of tar. Even without a tanker disaster, some 330,000 tonnes of oil is discharged into the Mediterranean every year from ships, according to the Hellenic Marine Environment Protection Association (Helmepa), a privately funded organisation of Greek shipowners and seafarers.

Much of this spillage is caused by careless bunkering when ships load fuel or when oil, ballast water or sludge from the bilges is flushed out at sea. As for rubbish, a recent Helmepa study of debris collected from beaches near Athens showed that while most came from land-based sources, a sizeable amount of wood, metal and plastic had been tossed overboard from passing ships.

Shipping and tourism are Greece's largest industries: the Greek-owned merchant fleet is still the world's biggest and the 16,000-kilometre Greek coastline, including more than 2,000 islands, is much the longest of any Mediterranean nation.



Helmepa was founded almost 10 years ago by a group of Greek shipowners at a "time when Greek shipping was in international disrepute because of a generally poor safety record and several disastrous pollution incidents," says one of its members. "It was clear something had to be done."

Its core activity is running voluntary training seminars for Greek merchant seamen, from skippers to deckhands, on pollution control, safety at sea and environmental awareness. The programmes are designed to improve compliance with the International Maritime Organisation's conventions on pollution and safety at sea.

The association is increasingly involved in educational and public awareness campaigns aimed at curbing pollution in coastal areas of Greece, backed by the EC MedSpa programme.

About one-third of the Greek shipping community actively supports Helmepa. Its members operate about 400 out of 2,000 Greek-flag ships and more than 4,000 Greek officers have attended seminars. "No matter how sophisticated the ship, the training and motivation of your crew is what counts to prevent accidents," says Captain Basil Constantacopoulos, the association's secretary-general.

Tanker fleets in particular are ageing, as most of those now in service date from the 1970s' shipping boom, and the heavy cost of new buildings deters many Greek owners. As a result, improved training for crews is considered more important than in the past.

The seminars place considerable importance on Marpol, the international convention on preventing pollution from ships, whether it is oil, dangerous liquids, sewage or rubbish, and Solas, its equivalent on safety.

Last year the association developed a software package to help familiarise seafarers with both conventions. It is intended for use with shipboard computers. "One advantage is that officers can check specific regulations before they need to apply them. Another is that it's a tool for continuous learning – they can test themselves as they go along," says Christina Prekeze, one of Helmepa's scientific officers.

Seminars for ratings include sessions on the environmental impact of oil pollution and the Marpol rules on rubbish disposal at sea. Since the Mediterranean is a closed sea, whose waters are renewed only once in 80 years, clean ballast water and food waste are the only discharges permitted, provided the ship is at least 20 kilometres from land.

However, since few Greek ports are equipped with facilities to handle ships' rubbish or the oily contents of slop tanks, captains continue to wash out oil tanks while at sea and to instruct crews to dump rubbish overboard.

Helmepa's hero last year was an unnamed Greek rating who took photographs of the oily wake left by his vessel and later reported the captain. "It used to be thought that Greek seafarers had very little respect for the marine environment, but our impression is that it's growing very fast," says Vicky Kyriazi, the association's administrator.

As part of its public awareness campaign, Helmepa has mounted a permanent exhibition on the marine environment in Athens' port of Piraeus, which is visited by thousands of schoolchildren every year.

In a 16-month project which received funding from MedSpa, schoolchildren collected rubbish from beaches around Athens and on the island of Syros. They discovered that plastic items made up almost 40 per cent of the more than 650 cubic metres of rubbish collected around Athens, and metal and paper 36 per cent.

"The beach clean-ups are a very effective way of getting across the environmental message, especially when we explain that it takes four weeks for a submerged bus ticket, and more than 400 years for a plastic water bottle to dissolve in the sea," Prekeze says.

COMMODITIES AND AGRICULTURE

French-Soviet food-for-oil deal 'not in trouble'

By **William Dawkins** in Paris

SUCRES ET Denrées, the leading French commodity trader, and Interagra, the food group, yesterday denied market rumours that their $405m food-for-oil barter deals with the Soviet Union had hit problems.

However, the pair said that financing had yet to be agreed for what are set to be the first barter deals of their type between France and the Soviet Union, while their bankers and commodity analysts said delays were likely.

The government has offered to guarantee 90 per cent of the first of the two contracts involved through Coface, the export credit guarantee body. The French commercial banks involved, including state-owned Banque Nationale de Paris and Crédit Lyonnais, are now preparing to syndicate FFr1.6bn ($290m) worth of trade credit for the deal, on those terms. One leading state-owned bank says it is too early to judge whether or not potential syndicate partners will accept these conditions.

Commodity analysts expect barter trade will become increasingly common with the Soviet republics, given their shortage of cash and need for food and raw materials.

Under the first deal, agreed last month, Sucden is to supply 300,000 tonnes of sugar as soon as possible, in exchange for 860,000 tonnes of Soviet heating oil, worth $130m over the next 12 months. The sugar has yet to be delivered.

The second deal was the subject of a Franco-Soviet government protocol at the end of October and has received enthusiastic support from Mrs Edith Cresson, the prime minister.

Sucden says it has only just won agreement on the commercial terms for this the second contract, for which it has yet to begin the process of seeking funding. It provides for the delivery to the Soviet Union of 100,000 tonnes of meat, 100,000 tonnes of sugar, 20,000 tonnes of powdered milk and 7,000 tonnes of baby food by the end of March. Payment will be in the form of 500,000 tonnes of Soviet heating oil, 1m tonnes of crude oil and 1.5m cubic metres of natural gas, worth $275m. Interagra, the French food group, is to handle the meat supplies.

Sucden and Interagra both insisted yesterday that they expected the contracts to go ahead as planned. "Nothing has happened to prevent this deal," said a director of Interagra. They were both unworried by last week's clampdown on oil exports announced by Mr Boris Yeltsin, president of the Russian republic.

The deal is unlikely to run into serious trouble, given that it has the political backing of the French and Soviet governments, said Ms Farideh Bromfield, head of research at E.D. & F. Man (Sugar). But it is likely to be delayed by the complexity of dealing with the various suppliers and confusions over where responsibility lies in the Soviet Union.

Brazilian exports of orange juice 'to rise'

By **Victoria Griffith** in Sao Paulo

BRAZILIAN exports of frozen concentrated orange juice are expected to rise this year to 800,000 tonnes, up from 788,000 tonnes in 1990. The advance will be fueled by increased domestic orange production and the opening of Japan's import markets, Mr Ademerval Garcia, President of the Brazilian Citrus Association, said at the 11th International Congress of Fruit Juices in Sao Paulo, which finished yesterday.

Orange production in the state of Sao Paulo, which accounts for 80 per cent of the country's total yield, will rise to 241,000 boxes this year, compared with 239,000 in 1990. The forecast was given by Ms Elizabeth Steger, head of orange forecasts for Sao Paulo state.

Brazil accounts for 53 per cent of the world's total processed orange juice production. An increase in tree deaths from disease has been offset by a large number of new fruit-bearing trees. Ms Steger said that, barring seriously adverse weather conditions, new plantings would cause Brazilian production to rise over the next few years.

The Brazilian orange juice sector has been elated over the last few weeks by fears of another bad crop in Florida. Reduced US production would boost American demand for Brazilian juice. But the country's main hope is Japan, which is lifting barriers to orange juice imports next year, and could become a major consumer of Brazilian juice.

In the long run, however, the Brazilian orange sector may run into difficulties. World orange production will rise at an annual rate of 2.5 per cent over the next decade, predicted another speaker at the conference, Ms Paola Fortucci-Marongiu, head of the citrus section at the Food and Agriculture Organisation. The US is rapidly moving toward self-sufficiency, and Mexico and Argentina are becoming increasingly important producers.

Fishmeal demand steady

FISHMEAL demand remains steady despite the difficulties of Norway's fish farmers, *according Mr Stuart Barlow*, director general of the International Association of Fish Meal Manufacturers.

"Norway's problems have had no major impact on fishmeal consumption," he said yesterday – Norway's Atlantic salmon industry, a major user of fishmeal, has been hit by *falling* prices and overproduction.

Strong Far East demand, especially from China the world's main importer, would help to keep prices firm in 1992, Mr Barlow explained.

Political tangle hamstrings Impala Platinum

Philip Gawith on a company caught between the old and the new South Africa

SOUTH AFRICANS are still coming to terms with the problem of what to do on Tuesday evenings, now that Dallas, the long running saga of the Ewing family, has come off their TV screens after a run of 12 years. They need not look far. The real life dramas of Impala Platinum would be the envy of any scriptwriter.

The world's second largest platinum producer finds itself caught in the inhospitable political maelstrom between the old and the new South Africa. Since July Impala's operations have been repeatedly disrupted by various incidents of labour unrest. Mr Michael McMahon, managing director, has admitted that the company has already lost two weeks of production, or 40,000 troy ounces, given its annual production rate of 1.1m ounces. Some observers believe, however, that production losses are double that figure, and that things could get worse if disruptions continue.

Superficially, Impala has serious labour problems. These, however, merely disguise a political argument about the sovereignty of the Bophuthatswana homeland. The two protagonists are the government of Bophuthatswana, where all Impala's mines are to be found and the powerful National Union of Mineworkers, closely aligned to the African National Congress, the liberation organisation, which is fiercely opposed to the homeland system.

The NUM has signed up 60 per cent of Impala's labour force, and would like to represent them; the Bophuthatswana government won't allow this because NUM is a "foreign" union, not registered in Bophuthatswana.

Clearly the simple solution would be for NUM to register. *This it refuses to do because, it* argues, this would be lending recognition to an apartheid structure. The Bophuthatswana government is equally undisposed to backing down. It is proud of its achievements, being the only homeland that is close to financial viability without assistance from the South African treasury. It is no coincidence that its is also the only "independent" homeland not to have expressed a positive preference for reincorporation into South Africa. The ANC, meanwhile, not only refuses to recognise this independence, but is linked to figures who were involved in a failed coup attempt against Bophuthatswana's President Mangope in 1988.

Impala's instincts tell it that the problem is a political one, and hence not for them. The haemorrhage being caused to the bottom line, however, demands attention. What can be done? Mr Brian Gilbertson, Impala's chairman, comments: "Our position is that we should act fairly, comply with the law of Bophuthatswana and maintain law and order on the mines. In assorted meetings with the Bophuthatswana government we've encouraged them to find some way to enable NUM to achieve recognition in Bophuthatswana. To NUM we've said we simply cannot negotiate with them on any aspect of our labour in Bophuthatswana because the law prohibits us".

In fact the NUM already has a foot in the door. For the three years prior to July, when the trouble started, Impala had negotiated with BONUME - the *local union*, which represented only 7 per cent of the workers. When, however, the union was unable to sell to workers the 1991 wage settlement it had negotiated, Impala was forced to set up worker representatives committees, where NUM members figure strongly.

One solution, suggests Mr Michael McMahon, the managing director, would be for the NUM to register as a foreign union in Bophuthatswana, and for the government to recognise this. Factors encouraging a compromise include the fact that workers will probably have a limited tolerance for losing wages, without clearly defined gains in sight, while the Bophuthatswana government cannot be unaware of the tax revenues it is losing.

Mr Gilbertson says he believes progress is being made towards registration by the NUM, and government's recognition of that. If, however, labour disruptions continue, the company will start selectively closing shafts. "Plans have been drawn up to do that" he says. Platinum producers are already under pressure from a low price and low productivity coming on top of this could well make some of Impala's 13 shafts unviable. The Genmin group, of which Impala is a part, has already shown, in relation to its marginal gold mines, that it will not hesitate to close unprofitable operations.

Meanwhile, says Mr Gilbertson, there has been no choice but to step up the level of security on the mines to stop intimidation, violence and damage to property. "An anarchical position will not be allowed to persist," he declares. Impala has also purchased and taken delivery of metal sufficient to make up for what it estimates will be the shortfalls between its production and contractual commitments. The chairman says *metal flows through the* production pipeline should continue until the end of the year. The amount of metal bought forward is less, says Mr McMahon, than direct production losses because of stockpiles built up earlier in the year when metal was held back because of low prices.

At least two week's production has already been lost and observers believe the situation could get worse

One mystery is why Impala's difficulties have not driven the price up. Mr Gilbertson finds it "totally incomprehensible. In my view there's a train smash coming down the line". In the annual report he argued that "there is now a distinct possibility that newly mined supplies of metal will be insufficient to meet demand by 1995. . . Prospects for the longer term are much more favourable than implied by the present market statistics and investor sentiment". The passage of time and Impala's current difficulties, only strengthen this view, says Mr Gilbertson.

Relevant, if not decisive, to the current problems is the tricky set of relations between Impala, the Bafokeng tribe, which owns the land Impala mines, and President Mangope of Bophuthatswana. Three important facts are interrelated: a long-standing enmity between Mr Mangope and the Bafokeng tribe, which actually tried to secede in 1983; a tense relationship between Impala and the Bafokeng; and perceived close relations between the ANC and the Bafokeng.

Last year Impala signed crucially important agreements with the Bafokeng giving them security of tenure over the lease areas. The problem is *that these agreements* were signed with Chief George Molotlegi, who is standing in for his brother Edward who fled the country in 1988 for fear of being detained by Mr Mangope in connection with the coup. Chief George is a Mangope *appointee, and Edward does* not recognise the appointment, and hence any decisions flowing from it. He is trying to overturn the appointment in the courts.

The relevance of all this is threefold: firstly, if Chief Edward returns as leader of the Bafokeng, which must be likely in the new South Africa, Impala can expect some tough questions about the arrangements entered into with Chief George. Second, insofar as Impala is currently perceived as being with Mr Mangope and Chief George, and against the Chief Edward-NUM-ANC axis, this will not help it in a new South Africa where the ANC will certainly wield more power than it does at present. Third, a perception of being close to Mr Mangope does not improve Impala's credibility in the eyes of a largely Bafokeng workforce.

Impala disputes such reasoning, saying that both in relation to the leases it signed with the Bafokeng and its handling of the current labour troubles it has merely done what the law requires. This is clearly true, but, as the company well realises, if harmony is to return to the workplace, then it will have to deal with the perceptions, not only with the law.

Soviet metal flood forecast to continue

By **Kenneth Gooding**, Mining Correspondent

METAL MARKETS will have to live with the turmoil created by exports from the former Soviet Union until at least 1993 and "surplus metal is likely to be shipped to the west irrespective of price".

This warning is given by analyst Mr Neil Buxton in Metal Bulletin's latest Base Metals Monthly newsletter.

He points out that in the first six months of this year the flow of aluminium from the Soviets to the west increased *by 119 per cent, that of nickel* by 63 per cent, and that of lead by 52 per cent. The increase in the inflow to the west of copper was 18 per cent and that of zinc 7.7 per cent.

"In terms of the influence on base metal prices, the change in net east-west trade has in some cases been almost solely responsible for the adverse *change in the supply-demand* balance," he adds.

Mr Buxton says the collapse in Soviet domestic demand – some estimates put the fall in industrial production at 20 per cent – has been mainly responsible for the wave of metal exports. Other former eastern bloc countries are suffering similar difficulties, leav*ing even more metal available* to be sold to the west for desperately needed hard currency.

Demand in the eastern bloc is unlikely to pick up for at least 18 months, Mr Buxton suggests. In addition, stocks there are likely to be much higher than in the west and reducing them will be a drawn-out process.

He says that, in theory, it is possible to put forward a positive longer-term picture for base metals demand in the old eastern Europe by comparing per capita consumption with that in the western economies. "*However, in practice it is* unlikely that the economic performance of the west in the 1960s, or the more recent rapid growth in the Tiger economies of Asia will be duplicated."

Finance problems and the uncompetitiveness of the eastern *bloc will hold back growth* while "technological developments such as downsizing, thinner coatings and substitution will mean that growth will be less intensive than in the west in the 1960s".

"Base Metals Monthly," £600 a year from Metal Bulletin Research, 16 Lower Marsh, London SE1 7RJ.

East-West Trade ('000 tonnes)

Net Eastern bloc exports	1991e	1990	1989	1988	1987
Aluminium	630	402.8	299.1	419.3	281.4
Copper	325	252.9	146.2	151.3	112.6
Nickel*	89	82	81	62.6	65.7
Lead	70	39.1	−26.2	−27.2	−9.8
Zinc	100	83.1	45.2	−18.9	−14.2
Tin	–	−5	−8	−14	−14

*e=estimated. * Figures tend to understate nickel exports.*
Source: Metal Bulletin Research and World Bureau of Metal Statistics.

Spice prices 'to remain low'

By **Canute James** in Kingston

THE WORLD market for spices will not recover from its current depression until 1993, and sustained recovery will then depend on the state of the food *processing industry in the US* and the European Community, according to Mr Fazli Husain, a senior marketing adviser on spices for the International Trade Centre of the UN Committee on Trade and Development.

Speaking before the start of a meeting in Kingston, Jamaica of the International Spice Group, Mr Husain said pepper prices were at $1,200 a tonne, a third less than six years ago. "Sixty per cent of the imports are for the food industry, so the projections for higher prices are based on this industry," he said.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,680 (*same*).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.80-2.30 (*1.90-2.40*).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 23.00-25.00 (24.00-26.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 85-105 (*same*).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.14-2.17 (2.15-2.20).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: *European* free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.35-2.50 (2.30-2.45).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 7.25 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+3,600	to 814,125
Copper	+2,725	to 295,375
Lead	+625	to 118,500
Nickel	+312	to 6,910
Zinc	+7,825	to 158,225
Tin	−95	to 13,085

WORLD COMMODITIES PRICES

MARKET REPORT

Gold advanced by more than $2 a troy ounce on the London bullion market, boosted by the sharp fall in US equity markets and the easier dollar. But dealers were not confident that gold had much more potential on the upside after gaining about $7 in the past three trading days. Heavy resistance was pegged at $364, with a downside target of $358 seen by the end of the week. "The market was expecting the Dow to collapse, the Dow collapsed, and not enough people bought gold," one dealer said. On the LME copper was again in retreat, undermined by Wall Street's weakness. News of a 2,725-tonne rise in LME warehouse stocks also exerted pressure. In contrast, zinc closed sharply up, at its highest level since April, and gaining over $50 on the kerb on talk that late heavy buying reflected an investment fund covering a short position and moving to the long side. Talk of a forthcoming announcement of a production cut by a German producer, though unconfirmed, also helped. However, LME stocks rose by 7,825 tonnes to a record 158,225 tonnes. Nickel closed sharply down, but off fresh 20-month lows struck earlier. Dealers said support for three-month metal was likely to be tested soon at $7,250 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.70-7.75q	-0.30
Brent Blend (dated)	$22.05-2.10	-0.35
Brent Blend (Jan)	$20.90-0.95	-0.35
W.T.I. (1 pm est)	$20.95-1.05q	-0.35

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$239-241	-2
Gas Oil	$206-207	-2
Heavy Fuel Oil	$90-91	-1.5
Naphtha	$214-216	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$363.15	+2.05
Silver (per troy oz)♣	411.0c	+5.5
Platinum (per troy oz)	$365.5	+3.5
Palladium (per troy oz)	$84.90	+0.4
Copper (US Producer)	110.0c	-1.2
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.65r	
Tin (New York)	263.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	105.58p	+0.80*
Sheep (dead weight)†	155.08p	+12.2*
Pigs (live weight)†	85.70p	+7.27*
London daily sugar (raw)	$214.6x	+0.6
London daily sugar (white)	$274.5x	-2.5
Tate and Lyle export price	£297.0	+0.5
Barley (English feed)	£117.0	
Maize (US No. 3 yellow)	£142.5	+1.0
Wheat (US Dark Northern)	£101.0	
Rubber (Dec)♥	51.00p	+0.25
Rubber (Jan)♥	51.00p	+0.25
Rubber (KL RSS No 1 Dec)	223.0m	+1.0
Coconut oil (Philippines)§	$600.0z	-3.0
Palm Oil (Malaysian)§	$365.0x	
Copra (Philippines)§	$400.0z	-2.5
Soyabeans (US)	£149.5	+2.0
Cotton "A" index	62.65c	+0.10
Woollops (64s Super)	403p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Dec/Jan z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	187.00	187.00	187.00
Mar	180.40	181.60	181.60 180.00
May	181.40	182.00	182.00 180.60
Aug	186.00	186.00	185.20 185.00

White	Close	Previous	High/Low
Mar	271.3	271.4	273.2 270.5
May	271.0	271.3	272.5 270.4
Aug	274.4	274.8	275.3 273.0
Oct	251.1	251.5	252.5 250.0
Dec	248.7	249.2	248.2 248.2
Mar	249.1		250.0 249.2
May	249.1		250.0

Turnover: Raw 473 (191) lots of 50 tonnes. White 1307 (884)
Paris- White (FFr per tonne): Mar 1510.94, May 1522.28

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	20.85	21.16	21.20 20.80
Feb	20.64	20.90	20.95 20.64
Mar	20.42	20.50	20.55 20.42
Apr	20.36	20.25	20.37 20.18
Jun	19.92	19.85	19.96 19.87
Jul	19.70		19.70
IPE Index	21.03	21.27	

Turnover 12659 (14750)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	206.00	208.75	205.50 202.25
Jan	208.00	208.50	205.50
Feb	189.50	188.50	189.75 187.50
Mar	181.25	182.00	182.00 180.50
Apr	183.75	184.50	185.50 183.00
May	178.50	178.50	178.00 176.50
Jun	175.00	174.00	177.00 175.00
Jul	176.00	174.00	177.25 175.00
Aug	177.00	176.00	177.50 177.00

Turnover 15640 (15248) lots of 100 tonnes

COTTON

Liverpool- Spot and shipment sales for the week ending November 15 amounted to 176 tonnes against 898 tonnes in the previous week. Sales occurred mainly in Malawi, west African, American and Columbian growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	734	726	734 726
Mar	772	763	772 763
May	794	789	795 787
Jul	817	812	817 811
Sep	839	833	839 833
Dec	866	858	866 859
Mar	892	884	892 885
Sep	941	933	941 935

Turnover: 4870 (6407) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.18 960.01 (973.71) 10 day average for Nov.19 948.64 (946.41)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	584	578	580 570
Jan	595	586	595 583
Mar	583	578	584 572

Turnover:4328 (9751) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.15: Comp. daily 64.71 (64.13) 15 day average 63.48 (63.40)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	130.5	131.6	130.8 130.3
May	147.0	148.2	147.0

Turnover 84 (121) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	127.50		127.50 -
Feb	129.50		129.50 129.00

Turnover 93 (50) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1610	1610	1610
Dec	1618	1605	1610
Jan	1660	1645	1660 1646
BFI	1605	1608	1605

Turnover 151 (154)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	120.60		120.15
Jan	123.30	123.00	123.50 123.25
Mar	125.75	125.45	125.80 125.70
May	128.80	128.40	129.35 128.80
Jun	131.40		131.10

Barley	Close	Previous	High/Low
Nov	116.00	114.90	116.00
Jan	117.80	117.70	118.00 117.80
Mar	121.10		121.20 121.10

Turnover: Wheat 404 (89), Barley 112 (17).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	104.5		104.0
Jan	103.0	103.0	103.0
Feb	105.5	105.0	105.0
Mar	107.0	108.0	107.0 106.0
Apr	108.5	109.0	108.0
May	108.5		108.0

Turnover:29 (23) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Index	134.04	135.15			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,241 lots
Cash	1137.5-8.5	1142.5-3.5	1130	1129.5-30		
3 months	1165-6	1170-1	1172/1157	1157.5-8	1171-2	40,832 lots
Copper, Grade A (£ per tonne)						Total daily turnover 36,074 lots
Cash	1311-2	1326-7	1313.5/1307	1313-3.5		
3 months	1293-3.5	1308-8.5	1309/1292	1298.5-9	1291-1	35,127 lots
Lead (£ per tonne)						Total daily turnover 3,957 lots
Cash	282-2.5	278-8.5		281.5-1.75		
3 months	294.25-4.5	288-8.5	296.5/289	293.25-3.5	296-6.5	3,136 lots
Nickel ($ per tonne)						Total daily turnover 4,517 lots
Cash	7190-200	7360-70		7180-5		
3 months	7255-60	7410-20	7360/7245	7240-5	7255-60	5,722 lots
Tin ($ per tonne)						Total daily turnover 881 lots
Cash	5485-95	5481-3	5490	5488-7		
3 months	5550-60	5540-5	5560/5548	5545-50	5555-60	1,499 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 13,875 lots
Cash	1110-2	1108-9		1103.5-4		
3 months	1120-1	1120-1	7380/7245	1113-4	7255-60	15,736 lots

LME Closing £/$ rate:
SPOT: 1.7960 3 months: 1.7726 6 months: 1.7505 9 months: 1.7305

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	362.90-363.40	
Opening	360.20-360.60	
Morning fix	359.85	200.843
Afternoon fix	363.00	202.364
Day's high	363.70-364.10	
Day's low	359.80-360.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.50	6 months	4.40
2 months	4.59	12 months	4.31
3 months	4.51		

Silver fix	p/fine oz	US cts equiv
Spot	225.35	404.40
3 months	231.15	409.25
6 months	236.80	414.10
12 months	248.50	424.65

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	363.00-364.00	202.25-202.75
Maple leaf	373.00-374.00	208.00-208.50
New Sovereign	85.50-88.50	48.25-49.75

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
550	51	47	6	14
600	20	20	28	37
650	6	8	61	75

Cocoa	Dec	Mar	Dec	Mar
700	34	86	1	14
725	12	68	3	21
750	1	63	17	31

Brent Crude	Jan	Feb	Jan	Feb
2050	61		25	49
2100	50		[illegible]	[illegible]
2150	30	37	63	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	363.9	361.0	0	0
Dec	364.4	361.5	365.5	361.3
Jan	366.0	363.0	363.0	363.0
Feb	367.3	364.3	368.3	364.3
Apr	369.8	366.8	370.8	367.0
Jun	372.3	3369.3	373.8	370.0
Aug	375.0	372.0	375.0	374.2
Oct	377.5	374.5	377.0	377.0
Dec	380.3	377.3	380.5	379.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	365.7	361.5	0	0
Jan	368.4	364.2	370.0	365.0
Apr	370.9	366.8	372.0	369.0
Jul	373.7	369.6	373.5	373.5
Oct	379.7	375.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	406.5	402.0	0	0
Dec	407.2	402.7	412.5	403.5
Jan	409.7	404.8	412.0	412.0
Mar	413.2	408.6	418.0	409.0
May	417.2	412.6	418.0	414.0
Jul	421.0	416.4	423.5	420.5
Sep	425.7	420.5	427.5	427.5
Dec	431.1	426.3	435.0	426.5
Jan	433.2	428.6	0	0
Mar	437.3	432.7	437.5	437.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	104.25	105.60	104.90	103.80
Dec	103.75	105.10	104.95	103.20
Jan	103.15	104.20	103.50	103.40
Feb	102.75	103.55	102.60	102.60
Mar	102.45	103.55	102.95	102.05
Apr	101.75	102.85	0	0
May	101.15	102.00	101.70	101.25
Jun	100.80	101.60	0	0
Jul	100.45	101.15	100.50	100.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	22.15	22.40	22.43	22.11
Jan	22.07	22.25	22.32	21.98
Feb	21.84	22.02	22.10	21.80
Mar	21.68	21.78	21.88	21.60
Apr	21.50	21.54	21.62	21.42
Jun	21.05	21.17	21.15	21.05
Sep	20.77	20.84	20.80	20.77

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	6470	6539	6570	6455
Feb	6485	6507	6520	6420
Apr	5965	5962	5985	5910
Jun	5650	5655	5650	5635
Jul	5610	5615	5610	5590
Aug	5600	5658	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1230	1201	1246	1203
Mar	1288	1261	1300	1263
May	1322	1297	1332	1300
Jul	1354	1333	1360	1337
Sep	1384	1359	0	0
Dec	1419	1394	0	0
Mar	1454	1429	0	0
May	1477	1452	0	0
Jul	1497	1472	0	0
Sep	1520	1495	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	79.85	77.80	80.00	77.30
Mar	85.40	83.10	85.50	83.10
May	87.90	85.75	87.95	86.00
Jul	90.15	88.50	90.25	88.70
Sep	92.65	91.25	92.00	91.40
Dec	96.50	95.00	95.20	95.20
Mar	98.50	97.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.23	8.28	8.29	8.20
May	8.23	8.28	8.26	8.20
Jul	8.22	8.27	8.26	8.20
Oct	8.24	8.28	8.27	8.20
Mar	8.19	8.20	8.25	8.22

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	58.81	58.30	60.12	57.93
Mar	60.70	60.01	61.88	59.65
May	61.50	60.73	62.20	60.40
Jul	62.15	61.25	63.00	61.10
Oct	62.65	61.65	63.25	63.25
Dec	63.75	62.85	64.25	63.50
Mar	64.87	65.01	0	0
May	65.40	65.80	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	165.20	172.45	170.55	162.50
Mar	168.00	174.00	172.00	165.00
May	169.95	174.55	171.00	169.00
Jul	169.75	174.75	170.00	169.75
Sep	168.75	173.75	0	0
Nov	155.75	160.75	0	0
Jan	154.90	159.90	0	0
Mar	154.90	159.90	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.19	Nov.18	mnth ago	yr ago
1620.2	1616.7	1650.4	1708.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.18	Nov.15	mnth ago	yr ago
Spot	114.22	114.01	114.39	123.47
Futures	122.05	121.96	123.34	125.61

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	565/2	568/0	567/4	562/0
Jan	552/6	568/0	567/6	560/4
Mar	570/0	575/4	575/4	568/4
May	577/6	582/2	582/4	575/4
Jul	584/0	590/4	590/0	583/0
Aug	586/0	594.0	590/4	585/0
Sep	579/0	580/4	582/4	579/0
Nov	581/2	584/2	585/0	580/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.99	19.08	19.17	18.94
Jan	19.13	19.22	19.30	19.08
Mar	19.46	19.63	19.67	19.43
May	19.75	19.80	19.95	19.75
Jul	20.03	20.07	20.28	20.02
Aug	20.30	20.25	20.20	20.20
Sep	20.35	20.30	20.50	20.35
Oct	20.30	20.30	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	180.2	181.8	181.3	179.7
Jan	178.2	179.9	179.4	177.9
Mar	178.9	178.8	178.3	178.2
May	178.3	177.8	177.7	175.6
Jul	177.2	177.6	178.0	176.6
Aug	177.4	177.5	178.3	177.3
Sep	177.8	178.0	178.0	176.9
Oct	188.0	187.2	188.0	186.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	238/6	242/2	242/6	239/2
Mar	250/4	252/6	253/0	250/0
May	257/4	259/0	259/6	256/4
Jul	262/2	263/6	264/4	262/0
Sep	258/4	256/4	257/4	256/0
Dec	252/6	253/0	253/4	252/0
Mar	258/6	260/4	261/0	259/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	354/0	352/2	357/0	351/0
Mar	356/6	355/2	359/4	354/0
May	339/2	339/0	343/0	339/4
Jul	318/4	320/4	321/4	318/2
Sep	324/0	325/4	327/0	324/0
Dec	335/4	336/4	338/4	335/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.87	75.17	75.15	74.82
Feb	74.75	75.25	75.15	74.65
Apr	74.72	75.05	75.05	74.60
Jun	70.57	70.65	70.80	70.47
Aug	68.67	68.65	68.90	68.62
Oct	69.05	69.25	69.40	69.05
Dec	70.25	70.25	70.35	70.20

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.80	41.62	42.27	41.55
Feb	42.92	42.35	42.97	42.20
Apr	40.50	40.85	[illegible]	[illegible]
Jun	45.77	45.65	[illegible]	[illegible]
Jul	45.80	45.62	[illegible]	[illegible]
Aug	44.52	44.42	[illegible]	[illegible]
Oct	41.15	41.15	[illegible]	[illegible]
Dec	41.80	41.62	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.15	[illegible]	[illegible]	[illegible]
Mar	40.80	[illegible]	[illegible]	[illegible]
May	41.15	[illegible]	[illegible]	[illegible]
Jul	41.97	[illegible]	[illegible]	[illegible]
Aug	40.90	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Further setback on increased selling

By Terry Byland, UK Stock Market Editor

SELLING pressure increased in the UK stock market yesterday as some institutions decided that weakness in sterling could spell even greater problems for investors than the heavy fall on Wall Street, which was renewed early in the new session. The FT-SE Index, already down by 41 points, suffered a further savage fall when New York opened for the new session, but rallied to close 39.8 off on the day.

The implications of the rise in French money rates, masked on Monday by the shakeout in world stock markets, heightened tension ahead of tomorrow's meeting of the Bundesbank council and raised horrifying doubts over the outlook for UK rates.

"The UK government now has no room for manouevre with domestic base rates," commented a strategist at a leading brokerage firm. Others were less restrained and voiced the underlying fear that "the next move in base rates might be upwards."

Account Dealing Dates		
*First Dealings:		
Nov 11	Nov 25	Dec 9
Option Declarations:		
Nov 21	Dec 5	Dec 23
Last Dealings:		
Nov 22	Dec 6	Dec 27
Account Day:		
Dec 2	Dec 16	Jan 6

*New-time dealings may take place from 8.30 am two business days earlier.

Several leading UK securities firms planned to hold strategy meetings after the close of business yesterday. Some firms had encouraged clients to buy stock during Monday's fall and again when the market opened yesterday morning, when it was lifted by the recovery of 29.52 on the Dow Average overnight.

But yesterday's early buyers, who pushed the Footsie ahead by 14 points at first, soon found the tide of the market turning strongly against them. Some continued to buy against the trend. Although heavily on the downside, London was at first able to stand up fairly well to the rapidly weakening opening on Wall Street.

As the other European markets reacted sharply to an increasing slide in the Dow which was 53 points off in UK trading hours, London began to crumble. At worst, the Footsie was 52.5 down and challenging the 2,450 mark. The rally, which left the Footsie at a final reading of 2,463.1, did little to steady marketmakers' nerves.

Once again, there were widespread losses among the US-orientated blue chips, with Grand Metropolitan, Reuters and BAT Industries extending their losses. Rothmans International, with figures due this week, fell steeply but the shares are traditionally a thin market.

Consumer stocks were dull but the minimal size of the losses in such interest rate influenced stocks as Marks and Spencer and GUS provided some relief in the market's gloom.

Bank stocks were easier, with some unsettled by involvement with Maxwell Communication which came under pressure after the disclosure that the UK Serious Fraud Squad is investigating a private Maxwell family-controlled company.

Among the more bearish of market analysts, Mr Nicholas Knight of Nomura Securities spoke of a "disaster scenario" for the market and reiterated his year-end target of 2,400 on the Footsie. Mr Robin Aspinall at Schroders maintained that the market could test Footsie 2,420 and described the performance of the FT-SE as "much more routine (than the Dow), if a little accelerated." At Barclays de Zoete Wedd, however, Mr Richard Kersley stressed that London market ratings are healthier than those on Wall Street which were particularly demanding in view of disappointing growth indicators for the final quarter of the year.

FINANCIAL TIMES STOCK INDICES

	Nov 19	Nov 18	Nov 15	Nov 14	Nov 13	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.72	86.83	86.90	86.99	86.92	81.10	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.40	96.49	96.54	96.57	96.56	87.27	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1887.6	1914.9	1948.6	1963.3	1956.4	1667.1	2108.3 (2/9)	1906.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	153.2	151.3	149.8	149.7	149.4	155.7	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2463.1	2502.9	2548.6	2561.6	2546.5	2126.3	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1122.47	1134.49	1161.16	1164.85	1160.29	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.18	5.11	5.03	4.98	5.00	5.76				
●Earning Yld %(full)	7.43	7.36	7.23	7.17	7.24	12.03				
●P/E Ratio(Net)(☆)	16.96	17.13	17.41	17.55	17.35	10.06				
SEAQ Bargns 4.45pm	26,855	33,863	24,917	25,430	23,972	24,405				
Equity Turnover(£m)†	-	1122.13	932.03	964.77	875.28	863.98				
Equity Bargains†	-	32,383	24,497	24,999	23,625	23,623				
Shares Traded (ml)†	-	401.1	364.8	403.5	387.0	430.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.98.

Ordinary Share Index, Hourly changes. Day's High 1924.9. Day's Low 1875.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1924.4	1918.6	1913.5	1903.0	1900.3	1893.3	1889.9	1890.9	1877.0

FT-SE 100, Hourly changes. Day's High 2517.3. Day's Low 2450.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2516.6	2509.0	2500.9	2487.4	2480.3	2470.5	2467.2	2470.8	2452.7

FT-SE Eurotrack 200, Hourly changes. Day's High 1139.26. Day's Low 1122.47

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1136.96	1137.68	1133.76	1131.63	1128.36	1124.76	1123.96

GILT EDGED ACTIVITY

Indices*	Nov 18	Nov 15
Gilt Edged Bargains	94.8	85.0
5–Day average	86.9	87.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Heavy selling of MCC

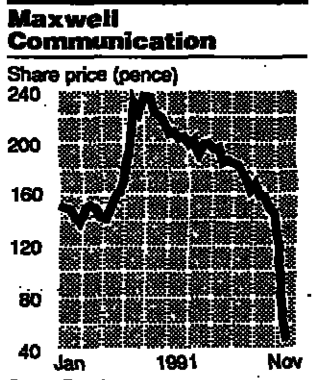
SHARES in Maxwell Communication Corporation (MCC) fell steeply yesterday after IBCA, a UK-based credit rating group, put the company's debt on credit watch for a possible downgrade. MCC closed 14 weaker at 46p on turnover of 5.6m, heavy for the stock.

The shares were also affected by a Serious Fraud Office probe into a company privately held by the Maxwell family. The investigation deals with a £55m loan received by the family interests, underscoring general worries about debt problems at the heavily borrowed Maxwell companies, dealers said.

Mr Derek Terrington of merchant bank Kleinwort Benson said: "The information vacuum is the main problem. If we get some clarification of the debt position at the interims announcement, that might help." The half-time figures are expected around the end of the month.

Maxwell Communication

Share price (pence)



Source: Datastream

As the chart shows, the sharp rise for the shares following the end of the Gulf war in February proved short-lived, but the drift down became a plunge at the end of October shortly before the death of Mr Robert Maxwell when attention was focused on the group's serious debt problems.

Bid curtain

The final act in BTR's bid for Hawker Siddeley appeared to be taking place yesterday. Hawker shares eased a penny to 719p as turnover rose to 8.3m on reports that BTR had once again been in the market and raised its 20.3 per cent holding in the company to above 23 per cent.

There were strong hints that substantial stakeholder Mercury Asset Management was about to accept BTR's offer. BTR finished 4 cheaper at 379p on turnover of 3m.

BA volatile

Suggestions by the Dutch FNV Union that British Airways (BA) was about to take over KLM, the Dutch flag carrier, helped to shield the shares from the general market weakness. However, the stock reacted quickly when doubts were cast on the market's hopes.

The shares rose 7 to 222p on the talk but retreated to close only a half-penny better at 215½p on turnover of 9.9m after both companies refused to comment and analysts cast doubts on the probability of such a move.

Mr Mark Simpson at UBS Phillips & Drew said: "The idea is not practicable in the short term due to the existing structure of bilateral agreements." He added that increased co-operation between the two airlines was the more likely outcome in the short term.

Steetley tumbles

Brickmaker Steetley was among the worst hit in a depressed building materials sector, tumbling 43 to 285p. It was affected by a profits and dividend downgrade from UBS Phillips & Drew, fading bid speculation and a background of uncertainty about interest rates throughout Europe.

Turnover picked up significantly after the UBS downgrade to total 2.7m shares yesterday, well above recent levels.

UBS said it was holding to its current year profits estimate of £30m but had reduced its 1992 forecast from £32m to £26m. The broker's building sector team said that come the preliminary figures in March, Steetley would have to look closely at its dividend cover. UBS predicted a reduction in the dividend from 14p to 9.5p.

Storehouse fell to its lowest level since the mid-1980s as the market reacted to poor October retail sales figures and expectations that the group, which comprises BhS, Mothercare and Habitat, will report an interim loss of up to £17m tomorrow. At the close Storehouse was 3 weaker at 92p, having slipped to 91p at one point. Turnover was an above-average 2.6m.

Smith New Court said the shares had fallen badly enough but that the yield and price earnings relatives "still defied gravity. Problems at Storehouse are too severe merely to be explained by the recession."

Ratners shares, battered recently by analysts' downgrades, came under more pressure, closing another 3 off at 44p, the lowest level for more than five years. Turnover of 4.3m was above average.

The latest slide was triggered by worries about flagging sales in the high street, highlighted by the 0.5 per cent fall announced in UK provisional retail sales figures for October.

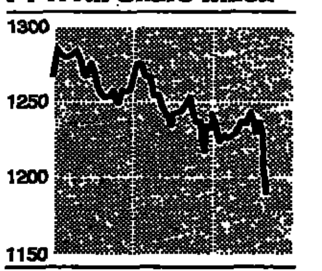
Reports that Ratners may sell a minority stake in its US businesses, if sales in the run up to Christmas prove poor, were regarded as premature but not ruled out.

Dixons outperformed the retail sector and edged up 2 to 227p on heavy turnover of 4m. It was also the heaviest dealt equity in the traded options market. S.G. Warburg Securities was said to have recommended the shares yesterday.

Severn Trent fell 13 to 309p amid worries of a poor performance at its Biffa waste disposal subsidiary, acquired earlier this year from BET.

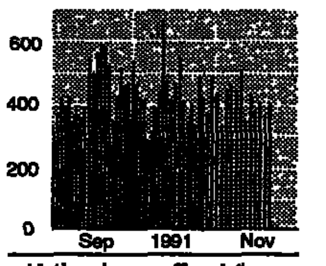
British Gas gave one of the best performances among the Footsie constituents, closing 2¼ higher at 242¼p on heavy turnover of 10m shares. At least three of the leading UK broking houses were keen buyers of the stock yesterday. One of these, Smith New Court, said the shares offered "a prospective yield giving a 54 per cent premium to the market and close to an all-time high. This suggests that the worst implications of the Office of Fair Trading proposals are already in the price."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Several UK stocks traded in the US were hit by yesterday's weak opening on Wall Street. Tightly traded Wellcome led the way with a drop of 29 to 869p as the stock saw continuing correction following the sharp rises surrounding the results last week.

Glaxo, one of the most actively traded stocks in the US in recent days, was 41 up in London in the morning, bouncing back from a sharp fall on Monday. However, it took its cue from Wall Street and closed a net 8 lower at 786p on healthy turnover of 7.2m shares.

Reuters, still suffering following a cautious statement by the company last week, weakened 13 to 861p.

Dunhill retreated 15 to 450p following reduced profits on Monday, while thinly-traded Rothmans International, owner of 57 per cent of the Dunhill equity and set to announce interim results tomorrow, lost 41 to 1069p. Rothmans was also affected by negative sentiment running over from poor results from BAT Industries yesterday.

Analysts' reductions in earnings forecasts for a number of building materials stocks included Redland and RMC, leaving the latter 19 cheaper at 474p and the former 17 weaker at 515p.

Worries about dividend cuts continued to depress BPB, which slipped 3 to 152p. BPB is scheduled to report interims on November 29. Other notably weak performers in the sector were Costain, 6 down at 66p, and Taylor Woodrow, the same amount off at 153p.

The French decision to raise interest rates prompted a fall in Arjo Wiggins Appleton, the Franco-British paper group. The shares receded 8 to 257p.

Pre-results enthusiasm helped Courtaulds to end the day as one of the few gainers in the Footsie, recording a rise of 4 at 473p on good turnover of 1.4m shares. Analysts are loooking for interim profits to be between £93m and £98m. Hoare Govett, which expects £95.5m, argues that the shares remain undervalued in spite of their sharp rise this year.

Huntingdon International dipped 8 to 215p, reflecting reduced full-year profits.

BAA bucked the market trend, adding 2 at 478p as the shares continued to benefit from Monday's news of the more favourable pricing formula for the company.

Dowty Group declined 8 to 172p after Smith New Court turned seller of the stock. Analyst Mr Chris Avery said: "The recent bid speculation is probably misplaced."

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 26.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (37).
BRITISH FUNDS (9) Tr. 2pc IL 1996, Tr. 2½pc IL 2001, Tr. 2½pc 2003, Tr. 2pc IL 2006, Tr. 2½pc IL 2009, Tr. 2½pc IL 2011, Tr. 2½pc IL 2013, Tr. 2½pc 2016, Tr. 2½pc IL 2020, BREWERS (1) Mansfield Brew., BUILDINGS (1) Manders, CHEMICALS (3) Plysu, Porvair, Wardle Storeys, STORES (1) Body Shop, ELECTRICALS (3) CML Microsystems, Philips Elects., Pelon, ENGINEERING (1) Victaulic, FOODS (1) Brake Bros., INDUSTRIALS (8) Casket, Cornwell Parker A, London Intl., MITIE, Novo Nordisk B, Rolfe & Nolan, Serco, Sidlaw, INSURANCE (2) FBD, Lloyd Thompson, LEISURE (1) Airtours, MOTORS (1) Evans Halshaw, PAPERS (1) Shandwick, TEXTILES (2) Lamont, Readicut, TRANSPORT (1) BAA, TRUSTS (1) Close Bros.
NEW LOWS (68).
BRITISH FUNDS (1) Exch. 13½pc 1992, AMERICANS (1) IBM, CANADIANS (2) Imperial Oil, TVX Gold, BREWERS (1) Eldridge Pope A, BUILDINGS (6) CALA, Graham Wood, RMC, Redland, Tarmac, Taylor Woodrow, CHEMICALS (2) Leigh Ints., Do. 6pc Pf., STORES (2) Ratners, Storehouse, ELECTRICALS (5) Amstrad, BICC, Ericsson (LM), Fujitsu, Sema, ELECTRICITY (1) Scottish Power, ENGINEERING (3) ASW, Simon Eng., WB Inds., FOODS (3) Ashley, RHM, Tesco, INDUSTRIALS (8) Alexandra Workwear, Baris, Brit. Steel, Elkem, Isotron, PFG Hodgson Kenyon, Stonehill, T & N, INSURANCE (1) GRE, LEISURE (1) Millwall, MOTORS (2) European Motor, Lucas Inds., NEWSPAPERS (2) Gardner (DC), Maxwell Comm., PAPERS (2) Bohrmann-Tetz., Dudley Jenkins, PROPERTY (7) BHH, Christie, Gt. Port. Ests., Do. 9½pc 2002, London Merchant Sec. 7¾pc Ln. 2000-05, Scottish Metrop., UK Land, SHOES (1) Future, TEXTILES (1) Cupid, TRANSPORT (2) All Nippon Airways, Eurotunnel Warrants, TRUSTS (9) Caledonia, Drayton Eng. & Intl., Do. Warrants, Fleming Emrg. Mkts., Do. Wrrnts., French Prop., Gartmore Scotland Cap., Mediterranean Fd., South America Fd., OILS (4) Atlantic Res., Conroy Pet., LASMO, Norsk Hydro, MINES (1) Northgate Expln.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	12	388	-2
ASDA Group	10,000	40	
Abbey National	4,300	279	-5
Albert Fisher	1,000	84	+1
Allied-Lyons	3,700	591	-11
Amstrad	4,300	30	-3½
Anglian Water	1,500	353	-7
Argos	558	308	-5
Argyll Group	1,600	358	-7
Arjo Wiggins	2,300	257	-8
Ass. Brit. Foods	1,100	431	+2
BAA	2,400	478	+2
BAT Inds.	3,000	614	-18
BET	8,100	212	
BICC	1,200	316	-9
BOC	1,200	595	-4
BPB Inds	3,100	152	-3
BTR	3,000	379	-4
Bank of Scotland	2,200	118	-2
Barclays	3,200	385	-10
Bass	424	946	-14
Beazer	453	113	
Berisford Int.	695	23	
Blue Circle	853	225	-8
Booker	26	458	-5
Boots	1,300	434	-2
Bowater	107	670	-3
Brit. Aerospace	1,700	327	-11
British Airways	9,900	215½	+½
British Gas	10,000	242½	+2½
British Land	177	271	-11
BP	7,100	314	-4
British Steel	14,000	78½	-6½
British Telecom	4,600	350	-7
Bunzl	704	83	-3
Burmah Castrol	241	590	-5
Burton	1,600	43	-1
Cable & Wire	4,600	535	-20
Cadburys	2,300	339	-5
Calor Group	1,000	249	+2
Carlton Comms.	364	401	-7
Coats Viyella	2,000	172	-2
Comm. Union	437	468	-10

	Volume 000's	Closing Price	Day's change
Cookson	2,800	98	
Courtaulds	1,400	473	+4
Dalgety	82	366	-6
De La Rue	377	449	-5
Dixons	4,000	227	+2
ECC Group	1,200	472	-15
Eastern Elect	847	239	-2
East Midland Elect.	305	242	-1
Enterprise Oil	1,300	517	-6
Eurotunnel Units	257	382	-7
FKI	1,100	51	-2
Ferranti	1,400	7¼	
Fisons	2,400	400	-1
Forte	3,600	261	-6½
Gen. Accident	681	465	-10
General Elect.	2,000	188½	-1½
Glaxo	7,200	786	-8
Glynwed Int.	1,300	302	-5
Granada	1,800	193	-1
Grand Met.	3,000	828	-13
GUS A	280	1353	-10
GRE	2,700	136	-11
GKN	1,000	305	-10
Guinness	4,600	906	-12
Hammerson 'A'	185	663	-18
Hanson	7,800	198	-2
Hanson Warrants	1,500	20	-¼
Harrisons Crosfield	229	132	
Hawker Sidd.	8,300	719	-1
Hillsdown	2,900	183	-6
IMI	248	223	-3
ICI	1,000	1185	-13
Inchcape	2,800	387	-8
Kingfisher	1,800	530	-8
Ladbroke	3,200	258	-6
Land Securities	1,200	491	-8
Laporte	90	579	-4
Legal & General	500	376	-9
Lloyds Abbey	478	387	-7
Lloyds Bank	2,300	384	-10
LASMO	1,700	284	-11
London Elect	889	236	-4
Lonrho	1,200	221	-7

	Volume 000's	Closing Price	Day's change
Lucas	2,300	134½	-4½
MB Caradon	792	233	-8
MEPC	1,300	441	-12
Manweb	318	298	+2
Marks & Spencer	2,500	290	-1
Maxwell Comms	4,300	46	-14
Midland Bank	4,100	222	-11
Midlands Elect.	668	247	-4
NFC	573	223	+1
NatWest Bank	3,800	306	-8
National Power	1,800	144	-2
Next	2,300	61½	-½
North West Water	953	363	+1
Northern Elect.	88	256	
Northern Foods	295	507	-7
Norweb	204	267	+1
Pearson	478	730	-7
P & O	1,200	468	-14
Pilkington	3,800	134	-7
PowerGen	335	154	-1½
Prudential	3,800	234	-2
RHM	1,800	237	-5
RMC	382	515	-17
RTZ	4,500	528	-5
Racal	2,700	53	-1
Rank Org.	1,300	840	-1
Reckitt & Colman	408	859	-3
Redland	1,300	474	-19
Reed Intl.	1,100	488	-8
Rentokil	251	328	-12
Reuters	1,700	861	-13
Rolls Royce	5,600	128	-2
Rothmans	597	1069	-41
Ryl Bk Scotland	1,200	172	-2
Royal Insurance	2,200	274	-9
Saatchi	1,600	13¼	-¼
Sainsbury	2,200	330	-5
Scottish & New.	1,300	384	-1
Scot. Hydro-Elect.	1,000	102	-2
Scottish Power	4,400	98	-2
Sears	4,400	84	-2
Sedgwick	415	220	-14
Seeboard	80	252	-3

	Volume 000's	Closing Price	Day's change
Severn Trent Water	1,400	309	-13
Shell Transport	4,300	504	
Siebe	561	455	-10
Slough Ests	902	229	-11
Smith (W.H.) A	886	472	-1
Smith & Nephew	3,800	134½	+2½
SmKl Beecham	1,400	809	-2
SmKl Beecham Uts	117	353	+8
[illegible]	229	254	-1
Southern Elect.	887	244	-1
South Wales Elect.	73	301	-2
South West Water	489	314	-8
South West. Elect.	45	246	+½
Southern Water	273	314	-4
Standard Chartd.	599	387	-8
Storehouse	2,800	92	-3
Sun Alliance	1,700	314	-10
T&N	935	127	-5
TI Group	300	556	-11
TSB	1,500	125	-3
Tarmac	3,200	138	-8
Tate & Lyle	2,400	347	-7
Taylor Woodrow	780	153	-6
Tesco	2,300	215	-6
Thames Water	993	343	-2
Thorn EMI	1,000	757	-12
Tomkins	805	386	-12
Trafalgar House	971	223	-6
Ultramar	1,900	317½	-14½
Unigate	417	305	-8
Unilever	1,000	828	-12
United Biscuits	2,200	374	-3
Utd. Newspapers	1,809	367	-6
Vodafone	4,500	357	-11
Wellcome	1,300	869	-29
Welsh Water	365	369	-7
Wessex Water	238	381	-6
Whitbread 'A'	1,850	432	-9
Williams Hldgs.	2,000	324	-7½
Willis Corroon	880	234	-18
Wimpey	79	151	
Yorkshire Elect.	581	284	-1
Yorkshire Water	378	381	-4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

YESTERDAY'S fall in sterling cast a shadow over trading in Footsie futures, writes Joel Kibazo.

The December Footsie advanced at the beginning of the session as dealers bought the contract, relieved at the better overnight performance on Wall Street than had been expected.

However, by mid-morning attention turned to the currency markets, and the fall in sterling soon led to concerted selling of Footsie futures, which pulled the underlying cash market lower from its firm opening.

A small rally was seen towards the end but December eventually closed at 2,477, down 25 on the previous session and at a small discount to its estimated fair value premium of around 21. Turnover amounted to 12,452 lots.

In traded options, turnover was again high, reaching 39,349 ahead of today's expiry of November stock options. Dealers were reported to be taking advantage of the falls in the underlying cash market.

The Euro Footsie was the busiest option, trading 2,431 lots. Dixons, subject of a buy recommendation from S.G. Warburg, was the most active stock option with a total of 1,985. Cadbury, BAA and Guinness were also busy.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99	96	Treas. 8pc 1991	99xd		8.02	10.12
101	100	Treas 12¾pc 1992‡‡	100		12.71	10.35
100	97	Treas 10pc 1992	99		10.02	10.34
134	125	Treas. 2pc IL 1992‡‡	134		2.04	8.07
99	95	Treas. 8pc 1992‡‡	99		8.07	10.02
100	98	Treas 10¼pc Cv 1992‡‡	100		10.49	10.14
97	91	Treas. 3pc 1992	97xd		3.08	8.03
102	100	Exch. 12¼pc '92	101		12.06	10.02
104	102	Exch 13½pc 1992	102		13.15	9.96
98	93	Treas 8¾pc 1993	98		8.40	9.70
100	97	Treas 10pc 1993‡‡	100		9.97	9.73
104	102	Treas 12½pc 1993‡‡	103		12.03	9.81
95	89	Funding 6pc 1993‡‡	95		6.30	8.88
108	105	Treas 13¾pc 1993‡‡	107		12.85	9.79
97	92	Treas. 8½pc 1994	97		8.71	9.71
111	108	Treas 14½pc 1994‡‡	109		13.26	9.80
109	105	Exch 13½pc 1994	107		12.53	9.81
101	96	Treas. 10pc Ln. 1994‡‡	100xd		9.94	9.75
107	103	Exch. 12½pc 1994	106		11.76	9.82
98	93	Treas 9pc 1994‡‡	98		9.17	9.73
106	102	Treas 12pc 1995	105		11.35	9.81
89	82	Exch 3pc Gas 90-95	89		3.37	6.62
102	96	Exch. 10¼pc 1995	101		10.11	9.77
110	105	Treas 12¾pc 1995‡‡	109		11.65	9.83
114	109	Treas. 14pc '96	113		12.36	10.00
99	92	Treas. 9pc 1992-96‡‡	98		9.10	9.32
119	115	Treas 15¼pc 1996‡‡	118		12.87	9.99
112	108	Exch 13¼pc 1996‡‡	111		11.86	9.94
		Five to Fifteen Years				
101	95	Conversion 10pc 1996	100		9.91	9.75
101	97	Do. 10pc 1996 B	100		10.11	9.75
114	108	Treas 13¼pc 1997‡‡	112		11.73	9.95
103	97	Exch 10½pc 1997	102		10.22	9.79
96	89	Treas 8¾pc 1997‡‡	95		9.14	9.70
123	117	Exch 15pc 1997	121		12.34	10.06
100	93	Exch. 9¾pc 1998	99		9.78	9.79
88	80	Treas 6¾pc 1995-98‡‡	88		7.65	9.21
128	121	Treas. 15½pc '98‡‡	127		12.20	9.94
111	104	Exch. 12pc 1998	110		10.87	9.89
100	92	Treas 9½pc 1999‡‡	99		9.57	9.62
113	105	Exch. 12¼pc 1999	112		10.93	9.89
104	97	Treas. 10½pc 1999	103		10.13	9.79
103	95	Conversion 10¼pc 1999	102		10.01	9.80
97	89	Conversion 9pc 2000‡‡	96		9.32	9.60
118	110	Treas. 13pc 2000	117		11.09	9.97
103	94	Treas 10pc 2001	101		9.83	9.69
119	113	Treas. 14pc '98-01	118		11.82	10.05
101	92	Treas 9¾pc 2002	100		9.71	9.67
104	94	Treas 10pc 2003	102		9.79	9.66

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
111	102	Treas. 11½pc 2001-04	109½xd	-⅛	10.50	9.90
62¾	53	Funding 3½pc '99-04	60	-⅛	5.76	8.62
100	90	Conversion 9½pc 2004	98		9.63	9.64
100	97	Cv 9½pc 2004 A	98		9.63	9.65
100	90	Conversion 9½pc 2005	98¼		9.62	9.63
121	111	Treas. 12½pc 2003-05	119xd		10.47	9.70
88	79	Treas. 8pc 2002-06‡‡	87		9.19	9.62
		Over Fifteen Years				
[illegible]						
		Undated				
[illegible]						

Index-Linked

1991 High	1991 Low	Stock	Price £	+ or -	(1)	(2)
123	115	Treas. 2pc '94 (102.9)	123		2.22	3.32
177	168	Do. 2pc '96 (67.9)	177		3.25	3.84
145	137	Do. 2½pc '01 (78.3)	145		3.83	4.15
141	133	Do. 2½pc '03 (78.8)	141		3.92	4.20
143	136	Do. 2pc '06 (69.5)	143		4.01	4.24
131	124	Do. 2½pc '09 (78.8)	131		4.04	4.25
135	128	Do. 2½pc '11 (74.6)	135		4.05	4.24
111	105	Do. 2½pc '13 (89.2)	111		4.06	4.23
118	113	Do. 2½pc '16 (81.6)	118		4.05	4.22
113	109	Do. 2½pc '20 (83.0)	113		4.06	4.20
95	91	Do. 2½pc '24‡‡ (97.7)	94		4.05	4.18

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1991: 131.4 and for October 1991: 135.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107¾	95¾	African Dv Bk 11¼ Ln 2010	105		10.54	10.42
102	91	Asian Dev Bk 10¼pc Ln 2009	100		10.18	10.16
116	105	Int-Am Dev Bk 12½pc 2003	114		10.93	10.28
97	86	Do. 9¾pc Ln 2015	95		10.18	10.22
125	101	Utd. Mexican States 16½pc 2008	124		13.28	12.92

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104½	100½	Birmingham 11½pc 2012	103¼	.....	11.14	11.10
[illegible]						

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						5.38
107¾	104	Do. 4.25pcIL '24	107½	+¼		5.05

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52½	.....	5.71	10.02

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	.....	3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50	.....	3	f6.00
50	50	Do 4pc Mixed Ass.	50	.....	2	f4.00
55	55	Hung. '24 Ass.	55	.....	2.75	f3.57
133	120	Hydro Quebec 15pc 2011	131¼		15.0	11.07

Continued on next page

APPOINTMENTS

Export experts

David Hall, Britain's commercial counsellor in Washington, is taking over from Christian Adams as the official responsible for helping British industry capture capital projects overseas.

The reshuffle comes at a sensitive time in relations between the UK government and the country's exporters. Although there has been considerable criticism of the lack of government financial assistance, professionals in the export finance field speak highly of Adams' three and a half year stint as head of the DTI's projects and export policy department.

The 52-year-old Adams is returning to the Foreign and Commonwealth Office and is rumoured to be in line for an ambassadorship in the Far East, probably in Bangkok.

After Oxford, the 49-year-old Hall started in the Foreign and Commonwealth Office but later transferred to the Department of Trade. In November 1982 he was promoted to Grade 5 (equivalent to an assistant secretary) in the DTI's overseas trade division. Since January 1988 he has been on loan to the FCO as the commercial counsellor in Washington responsible for supervising the trade and environment policy and trade promotion sections.

He has been replaced in Washington by another DTI man, Anthony Vinall, who has been heavily involved in promoting British interests in the reconstruction of Kuwait.

ASH

Chris Boon, the Automated Security Holdings director in charge of corporate development, yesterday resigned from the board "by mutual agreement", but will continue as a consultant.

Boon helped ASH acquire API Alarms in California in 1989 and the alarm business of Group 4 Security and Lander in the UK which helped give the group a critical presence in both markets. But the company is now consolidating recently acquired businesses and sorting out the balance sheet; early this month ASH announced the first part of a programme to sell lease receivables to cut balance sheet debt which has worried the equity markets.

Conroy Petroleum

Peter Steen, non-executive director of Irish resources group, CONROY PETROLEUM, has resigned from the board following last week's bid by the company for Atlantic Resources, the Dublin-based oil exploration company. Steen says that he was contacted by the company at 3am in the morning in Canada to inform him formally of the bid, but that he did not agree with the strategy. Conroy has not named a replacement.

Tony O'Reilly, who heads Atlantic, agreed to subscribe to another 2.04m shares in Conroy as part of the deal. Conroy announced yesterday that O'Reilly had bought 1.7m shares or 3.86 per cent of the company. O'Reilly, who is chairman of Heinz Food group in Ireland, Irish Independent Newspapers and the Wedgwood arm of Waterford Glass, has joined the Conroy board.

The bid was widely viewed as an attempt by Conroy to head off a hostile takeover by its two main shareholders, Finnish mining company, Outokumpu and International Corona Corporation.

■ Robert Smith Leighton has been named executive chairman of CREDIT LYONNAIS ROUSE, the futures brokerage and derivatives fund management subsidiary of Crédit Lyonnais Capital Markets. His appointment follows the reshuffle in which Sir Kenneth Couzens took over from Ian Hay Davison as non-executive chairman of CL Capital Markets. Leighton became a director of R J Rouse in 1973.

Sir Kenneth, formerly permanent under-secretary at the Department of Energy, becomes a non-executive director of Credit Lyonnais Rouse, as does Roger Hernandez, who was general manager in Brazil, where the French bank has a joint venture, for three years. In August 1991 he returned to Paris as a Crédit Lyonnais director.

■ Richard Freeman is appointed md of RANK TAYLOR HOBSON from md of Concentric Pumps.

■ Richard Clowes is appointed chief executive of GKN POWDER METALLURGY DIVISION; he moves from John Crane International.

■ Ralph Davies is appointed md of TOOLING PRODUCTS, a Weir group subsidiary.

■ James O'Neal has been appointed president, northern European operations, of PEPSICO FOODS INTERNATIONAL, based in London.

■ Ron Codrington, formerly deputy company secretary of MCC, is now company secretary of MCC, while Alan Stevens is company secretary of MGN only.

■ RACAL HEALTH & SAFETY announces the appointment of Brian Whitford as director and general manager of Racal Safety and Racal Panorama.

■ Gary Greenhalgh is appointed assistant group md of AAH HOLDINGS.

■ Lance Levine is promoted to group finance director while retaining the role of company secretary of BLAGDEN INDUSTRIES.

■ Robert Lundy is appointed md and Graeme Taylor finance director of BALFOUR KILPATRICK.

■ David Gwyther is moving to become group chief executive of SHELDON JONES from md of Showerings. He is chairman of Somerset Tec.

■ Michael Monk has been appointed a director of D G DURHAM GROUP.

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AMERICANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
34⅝	20⅞	Abbott Laboratories‖	32⅛	−1⅛	$1.00	−	1.7
385p	218p	♥Allegheny & W 1c	234p	+10	30c	−	7.1
10¼	667p	Amdahl 5c	882p	+44	10c	−	0.7
42½	25¼	Amer. Cyanamid $5	31⅛	−⅜	$1.50	−	2.6
17⅞	9⅛	Amer. Express 60c	18½	−⅞	$1.00	−	5.4
24½	15¼	American T. & T. $1	28⅝	−⅛	$1.32	−	3.6
38⅞	32½	Ameritech $1	33¾	−¼	$3.40	−	5.7
26⅛	12⅞	BankAmerica $1⅜	29⅞	−⅜	$1.20	−	3.3
38⅞	20⅞	Bankers N.Y. $1	35⅝	−½	$1.52	−	7.7
30½	24¼	Bell Atlantic $1	25⅝	+¼	$2.52	−	5.6
31¼	25	BellSouth Corp.	26½	+⅛	$2.76	−	5.8
11¼	6⅞	♥Bethlehem Steel $8	7¼	−⅜	40c	−	3.1
1839p	1046p	Bowater Inc.	1136p	−26	$1.20	−	5.9
54⅞	37½	CPC Intnl. 25c	45⅞	−⅜	$2.00	−	2.4
930p	420p	California Engy	886p	−26	−	−	−
50	28¼	Campbell Soup 15c	43⅞	+⅝	$1.16	−	1.5
12¼	5⅞	Chase Manhattan $12½	9⅞	+⅛	$1.20	−	7.0
9⅞	5½	Chrysler $6¼	6⅝	−⅛	60c	−	5.1
10⅝	5⅞	Citicorp $1	6⅝	−⅛	−	−	−
26¾	21⅞	Colgate-Palmolive $1	23⅝	−¼	$1.06	−	2.6
928p	436p	Cont'l Bank Corp $4	551p	+1	60c	−	6.1
21⅝	13⅞	Dana Corp $1	15⅝	+⅛	$1.60	−	5.9
1262p	203p	Data General	815p	−13	−	−	−
25⅝	12⅞	Dial Crop. $1.5	23¼	+⅛	$1.40	−	3.3
29⅝	20¾	Dun & Bradstreet $1	26⅞	−⅜	$2.16	−	4.5
40	24¼	Eaton Corpn. 50c	33⅝	−⅛	$2.20	−	3.7
8½	5½	Echlin Inc	6⅝	−⅛	70c	−	6.2
20¼	14⅞	FPL Group 1c	19⅝	+⅛	$2.40	−	6.9
30⅞	17⅞	Fluor Corp 62½pc	21¼	+¼	32c	−	0.8
23¼	13¼	Ford Motor $1	14⅝	−⅛	$1.60	−	4.0
46⅞	28⅞	Gen. Elect. 63c	38⅞	−⅜	$2.04	−	3.0
566p	270p	♥General Host Corp $1	397p	+3	34c	−	5.1
45¼	20¾	Gillette $1	24⅜	....	62c	−	1.4
20⅝	794p	Hasbro Inc 50c	19¼	−1¼	24c	−	0.7
38½	21¼	Honeywell $1½	32¼	−⅞	$1.65	−	2.8
23¼	17⅞	Houston Inds.‖	22	+¼	$2.96	−	7.6
72⅞	54¼	IBM Corpn $1¼	54¼	−1⅛	$4.84	−	5.0
32½	18⅞	Ingersoll-Rand $2	27⅝	+⅛	$1.32	−	2.7
28¼	16¾	Lockheed Crpn. $1	24⅝	−⅛	$2.00	−	4.6
2155p	1245p	Lowe's 50c	1631p	+58	56c	−	1.9
18⅞	9½	Manuf. Hanover $1	14⅝	−⅛	†$3.28	−	12.6
32⅞	10⅞	Merrill Lynch $1	30¼	−¼	$1.00	−	1.9
38¼	21⅞	Morgan (JP) $2½	35⅛	−1¼	$1.98	−	3.2
44¼	25⅞	Morris (Philip)	38⅞	−⅜	$2.10	−	3.1
46¼	39	NYNEX $1	42½	+½	$4.56	−	6.0
89p	15p	♥Pac. Agricultural	23½p	....	−	−	−
23⅞	11⅞	Pall Corp. 25c	20⅞	−⅛	‡44c	−	1.2
46¼	33⅞	Pennzoil 83 1/3c	33¼	+⅛	$3.00	−	5.1
40½	24⅞	Quaker Oats $5	37⅛	+1⅞	$1.72	−	2.6
27⅞	16¼	Rep NY Corpn $5	23⅛	....	$1.00	−	2.4
17⅞	12¼	Rockwell Intl. $1	14⅞	−⅛	92c	−	3.6
25¾	12⅞	Sears, Roebuck 75c	20¼	−½	$2.00	−	5.5
34½	25⅝	Southwestern Bell $1	32⅜	+⅛	$2.84	−	4.9
20¼	14⅞	Sun Co. Inc. $1	15¼	−¼	$1.80	−	6.5
27⅛	19	Tenneco $5	19⅝	+¼	$1.60	−	4.7
40½	29⅞	Texaco $6.25	34⅞	+¼	$3.20	−	5.2
26¼	15⅞	Texas Instr. $1	16⅝	....	72c	−	2.4
*64½	37¾	Time Warner $1	48½	−⅛	$1.00	−	1.2
16⅞	8⅞	TRINOVA Corp.	10⅝	−¼	68c	−	3.6
550p	250p	♥Unitab.	555p	....	−	−	−
29¼	22¼	Utd. Technologies	27½	−½	$1.80	−	3.7
92p	42p	♥Utilitech Inc.	82p	....	−	−	−
23	18¼	US West‖	19½	−⅛	$2.08	−	6.0
162p	87½p	Varity Corp‖	106½p	−2	$1.30	−	−
24⅞	16⅞	Waste Management $1	20⅛	−⅛	44c	−	1.2
2346p	1053p	Whirlpool $1	1993p	−25	$1.10	−	3.1
20⅞	13½	♥Woolworth $3½	14⅞	+⅛	$1.08	−	4.1

CANADIANS

11p	2p	♥Abbot Energy Corp.	3½p	....	−	−	−
1477p	953p	♥Amer. Barrick Res.	1419p	+20	8c	−	0.3
19⅝	13	Bk. Montreal‖	19⅜	+¼	$2.12	−	5.6
1029p	536p	Bk. Nova Scot.‖	987p	+19	$1.00	−	5.2
852p	639p	♥BC Gas $1	839p	−14	60c	−	3.7
24	17¼	BCE‖	23½	+⅛	$2.56	−	5.5
10½	647p	♥Brascan‖	958p	+19	$1.04	−	5.6
36p	9p	♥Breakwater Res.	11p	....	10c	−	−
1725p	1180p	Can Imp Bank‖	1628p	+31	$1.32	−	4.1
11	855p	Can. Pacific‖	950p	+19	64c	−	3.4
36	30	Do. 4pc Deb £100	35½	+½	Q4%	−	11.3
335p	45½p	♥Central Cap 'A'‖	67p	+2	60c	−	−
483p	246p	♥Derlan Inds.‖	345p	−3	28c	−	4.1
628p	370p	♥Echo Bay Mines	438p	+9	7.5c	−	1.0
191p	15p	♥ECO Corp‖	15p	−2½	−	−	−
89p	55p	Granges Expl‖	61p	−1	−	−	−
520p	327p	♥Gulf Canada‖	327p	....	40c	−	6.2
14½	10	♥Hawker Sid Can‖	12⅞	....	$1.08	−	4.3
2013p	876p	♥Hudson's Bay‖	1678p	+13	♦80c	−	2.4
29¼	23⅞	♥Imperial Oil‖	23⅞	−⅛	$1.80	−	3.9
23¼	12½	Inco‖	17½	....	$1.00	−	2.9
552p	316p	♥Intl. Corona Corp.	361p	....	Q20c	−	2.8
4⅞p	2p	♥Muscocho Expln	2p	....	−	−	−
484p	350p	Nova Corp of Alberta	376p	−6	24c	−	3.3
1091p	745p	♥Rio Algom	765p	−25	80c	−	5.3
1450p	1022p	Royal Bk. Can.‖	1369p	+12	$1.16	−	4.3
250p	190p	♥TVX Gold Inc.	190p	−4	−	−	−
15p	3p	♥Tara Pure Tech Corp‖	5½p	....	−	−	−
1048p	736p	Toronto-Dom. Bk‖	919p	+6	76c	−	4.2
979p	719p	♥Trans Can Pipe	876p	+6	72c	−	4.2

BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£12⅞	£9⅞	ABN Amro F15	£12⅞	....	Q58%	♦	6.7	♦
198	121	ANZ $A1	183	+1	†Q38c	1.9	‡	5.8
311	211	Abbey National 10p	279	−5	19.5	3.2	4.5	9.1
183	126	Allied Irish Ord.	165	−5	‡Q11.7%	1.9	6.1	11.8
65	47	Anglo Irish	52	+5	Q18.6%	♦	8.3	♦
60	23	Ansbacher (H.) 1p	35	....	1.5	−	5.7	−
£54⅞	£38⅞	Bancaire Cie Fr100	£50¼	−1½	‡Q13.6%	−	2.8	−

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
56	33	Singer & Friedlander	43	+1	2.5	1.7	7.8	9.9
145	95	Smith New Court	120		3.5	1.2	3.9	26.9
87	61	Do. Cnv Prf 50p	74		6.5		11.7	−
131	108	South America Fund	108	−1				−
51	30	Do. Warrants	42					−
419	254	South East Asia Wnts	342	−17				−
58	27	Sterling Trust 10p	56		4.0	0.5	9.5	5.1
158	110	Stratagem Grp 20p	110		4.0	5.6	4.8	4.8
119	50	Summit 100p	60	−5	5.8	1.2		8.2

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
27	13	ACM Gold	24	+½	Q5c		9.9
3	3	Arboyne 50c	3				−
36½	20	Aztec Expln	33		Z01c		1.4
4½	2½	Bougainville 1 Kina	32	+1			−
662	355	CRA 52	561	+9	Q44c	1.9	
90	35	Central Pacific	68	−1			−

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
26	15	Greenwich Res 5p	17	+1			−
£6¾	£3½	Hemlo Gold Mines	£5¼		Q20c		2.1
£11¾	£7¼	Homestake Mining $1	£8½	+⅛	Q20c		1.3
61	30	Hibernia West	47	−3			−
46	33	Kells Mins. Ir5p	40				−
25	6½	Kenmare Ir5p	7				−
20	15	Navan Resources	18				−
99	47	Northgate Expl C$1	47	−3			−
16	5	North West Expl	5				−
188	82	Oryx Gold Hldgs	108	−9			−
23	10	Ovoca Gold IR 2p	11				−
44	17	Plateau Mining 20p	17				−
605	404	RTZ 10p	520	−5	19.5	1.7	5.0
11	3¼	Thorco Res. Inc.	7½				−
10	2	Vizcaya Hldgs 5p	2½				−
152	20	Wstrn & Pac Res	25				−
133	108	Young Group 10p	108		5.2	1.8	6.4

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- " Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred. C Canadian E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	625xd	.....	
Finlay Pkg. 5p α	45		
Holt (Jos) 25p β	2040	...	
Helton Hldgs γ	35	−1	
IRG	123¼	...	
United Drug	170	...	

IRISH

Cap 8½% Ln. 2010	£96⅜	..
9pc Cap Ln. 1996	£98¼	−⅛
Fin. 13% 97/02	£114½	.
Arnotts	180xd	

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp.	48
BTR	33
Barclays	34
Blue Circle	28
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord.	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

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AUTHORISED UNIT TRUSTS

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices bec[illegible]

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH

FT MANAGED FUNDS SERVICE

● Current Unit Trust price[illegible] and 36p off peak, inc [illegible] minute peak [illegible] (071) 925-2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	3	49.67	49.67xd	50.16	-0.01	10.6
Courtld Pyfrnce	5½	48.22	48.53	51.77	-0.12	9.28
Ethical	5½	48.91	49.86	53.04	+0.17	4.74
European Growth	5½	46.51	46.58	49.69	-0.38	3.00
Income	5½	44.94	46.42	49.51	+0.02	7.65
Intl Growth	5½	63.10	63.57	67.83	-0.18	3.37
Managed	5½	57.14	57.83	61.68	+0.12	4.61
UK Growth	5½	50.19	50.80	54.19	+0.09	5.73
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	190.9	192.5	200.5	-1.2	3.07
Do Income	3	181.6	183.8	191.4	-1.1	3.07
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	35.16	35.16	37.36	-0.6	2.45
UK Equity Gth Acc	5¼	47.05	47.92	50.92	-1.0	2.12
UK Eq High Inc Inc	5¼	30.85	31.52xd	33.49	-0.5	5.85
UK Eq High Inc Acc	5¼	34.69	35.44	37.66	-0.5	5.85
UK Equity Gen Acc	5¼	45.22	45.96	48.84	-0.8	3.29
UK Equity Gen Inc	5¼	35.38	35.97	38.22	-0.6	3.29
UK Larger Cos Acc F	7½	294.4	298.4	323.8	-4.8	4.51
UK Larger Cos Inc F	7½	237.1	240.2	260.7	-3.9	4.51
Gilt & Fxd Int Inc	5¼	27.57	27.64xd	29.23		7.66
O'seas Lrg Cos Acc F	7½	206.2	210.4	228.3	-4.1	2.23
Nth American Acc	5¼	33.17	33.35	35.44	-0.3	0.81
Far East Acc	5¼	39.86	40.85	43.41	-1.3	-
European Acc	5¼	33.09	34.79	36.97	-0.4	1.56
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	275.7	275.7xd	294.3	-5.0	1.10
(Accum Units) ♥	5	324.4	324.4	346.3	-5.9	1.10
British	5	795.8	805.8	852.5	-5.5	6.07
(Accum Units)	5	1307.4	1323.9	1400.6	-5.8	6.07
European	5	311.2	311.2xd	331.4	-0.9	1.56
(Accum Units)	5	337.3	337.3	359.2	-1.0	1.56
Japan	5	110.2	110.2	117.0	+0.3	-
(Accum Units)	5	111.0	111.0	117.9	+0.3	-
New Pacific	5	168.3	168.3	179.0	+1.8	1.93
(Accum Units)	5	172.8	172.8	183.8	+1.9	1.93
PEP Nov 19	5	142.1	144.2	152.7	-2.9	3.68
Mngd Equity	5	120.8	122.5	129.7	-0.2	3.52
Mngd Equity Acc	5	128.1	129.9	137.6	-0.2	3.52
Mngd Cash	3	96.38	96.38	99.26	+0.02	10.11
(Accum Units)	3	116.5	116.5	120.0	+0.1	10.11
Mngd Fxd Int Acc Nov 13	3	123.4	123.4	130.5		8.71
Majority Stlg	1	100.41	100.41	101.41	+0.05	9.99
Majority Stlg Acc	1	107.33	107.33	108.40	+0.05	9.99
Storebrand Intl Inv Mngrs Ltd (1200)F						

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Nov 14	496.08	499.74xd	.....	
Gross Nov 14	186.47	186.97	.....	
High Yield Nov 14	291.83	294.17	.....	
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	51.28	52.38xd	-0.63	
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1156.0	1246.0	...	
Mngd Pens (Acc)	66.0	70.4	.....	
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	.....	
Inc Gth Prp Apr 16	£1325.0	1460.0	.....	
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Nov 13	£3994.9	4165.2	...	
European Nov 13	£547.9	553.8	...	
American Nov 13	£349.6	353.1	...	
Japan Nov 6	£504.6	510.3	...	
Pacific Nov 13	£138.9	142.8	.....	
W Midlands Sep 30	£147.60	164.90	...	
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 [illegible]				
Property Oct 31	193.25	197.20	.....	
Equity Oct 31	896.05	908.60	.....	
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Nov 18		102.26xd	-0.1	
(Accum Units)		603.27	-0.1	
NAACIF Nov 12		41.83xd	.....	
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Nov 19	124.2	133.4	-2.3	
UK Small Co † Nov 19	541.4	593.0	-4.4	
Fixed Interest † Nov 19	109.1	114.7	-0.1	
US Small Co Nov 19	158.5	166.3	-6.7	
Managed Nov 19	107.1	114.7	-1.7	
Intl Bond Nov 19	117.9	124.3	-0.4	
Japan Nov 19	71.71	76.67	-3.23	
European Nov 19	86.44	92.59	-0.46	
Nth American Nov 19	104.6	112.6	-4.00	
Murray Johnstone UT Mngmt				
Murray Exempt Funds				

Century Life Plc

2 Eyre Street Hill, London EC1R 5AE 071-278 4488

City Of Edinburgh Life Assurance

Eagle Star Life Assurance Co Ltd

Bath Road, Cheltenham GL53 7LQ 0242 221 311

Guardian Royal Exchange

Royal Exchange, EC3 071-283 7101

Legal & General – Contd.

Manulife Group – Contd.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	105.3	110.8	..	-
Pension Managed Fd	103.8	109.3		-
Life Deposit Fd	110.7	116.5	.....	-
Pension Deposit Fd	117.4	123.6	.	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	169.9	178.9		-
UK Equity	180.2	189.7	......	-
Overseas Equity	135.8	143.0	.	-
Fixed Interest	155.8	164.0	.	-
Property	133.8	140.9	.	-
Index Linked	152.4	160.5		-
Deposit	163.6	172.3	.	-
With Profits (B)	134.0	141.1	.	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	347.6	365.9	-1.0	-
UK Equity	437.0	460.0	-2.4	-
Overseas Eq	332.2	349.7	-0.1	-
American	281.0	295.8	+1.8	-
Far East	358.2	377.1	+1.4	-
Property	194.1	204.4	-0.1	-
Fixed Int.	271.8	286.2	-0.5	-
Indexed Gilt	162.3	170.9		-
Deposit	187.8	197.7	+0.1	-
With Profit	104.9	110.4	.	-
Pension Fund (Accum Units)				
Managed	501.9	528.4	-1.4	-
UK Equity	591.9	623.1	-3.6	-
Overseas Eq	563.0	592.7	+1.1	-
American	351.8	370.4	+0.9	-
Far East	584.0	614.8	+3.5	-
Property	247.6	260.7	-0.1	-
Fixed Int	338.7	356.6	-0.8	-
Indexed Gilt	177.3	186.7	.	-
Deposit	266.2	280.2	+0.1	-

NPI Pensions Management Ltd

[illegible]

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	222.5	234.8	+0.4	-
UK Fixed Int Acc	187.1	197.4		-
Intl Equities Acc	171.6	181.1	+0.3	-
UK Managed Acc	172.4	181.8	+0.4	-
Property Acc	225.7	238.1	..	-
Money Acc	133.6	141.0	.	-
Special Market Acc	145.7	153.7	+0.1	-
Japan Equity Acc	96.6	101.9	+0.2	-
North American Acc	96.9	102.3	-1.5	-
Pacific Acc	92.6	97.7	+0.7	-
Technology Acc	117.5	124.0	-0.6	-
Nat Resources Acc	53.8	56.8	+0.2	-
European Acc	98.2	103.6	-0.2	-
Residential Prop Acc	90.6	95.6	-4.4	-
Swiss Equities Acc	32.9	34.8	+0.1	-
Hong Kong Acc	69.2	73.0	+1.0	-
UK High Inc Eq Acc	71.6	75.6	.	-
Int Fixed Interest Acc	60.4	63.8	+0.7	-
Int Managed Acc	55.9	58.9	+0.1	-
HIP Managed Acc	115.5	121.8	.	-
HIP Managed II Acc	100.2	105.6	-0.3	-
HIP Managed III Acc	108.3	114.2	.	-
Total Investment Bond				
UK Equity Initial		151.0	+0.1	-
UK Fixed Int Initial		127.1	.	-
Intl Equities Initial		115.7	+0.2	-
UK Managed Initial		117.1	+0.1	-
Property Initial		154.4		-
Money Initial		91.2	+0.1	-
Special Market Initial		112.8	.....	-
Japan Equity Initial		74.7		-
North American Initial		75.0	-1.2	-
Pacific Initial		71.7	+0.5	-
Technology Initial		91.0	-0.4	-
Nat Resources Initial		41.7	+0.2	-
European Initial		87.8	-0.1	-
Residential Prop Init		86.3	-3.9	-
Swiss Equities Initial		31.4	+0.1	-
Hong Kong Initial		65.8	+0.8	-
UK High Inc Eq Init		68.2		-
Int Fixed Interest Init		58.3	+0.6	-
Int Managed Init		54.0		-
HIP Managed Init		111.9	.	-
HIP Managed II Initial		98.5	-0.1	-
HIP Managed III Init		107.6	+0.1	-

Broker Funds

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

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FT MANAGED FUNDS SERVICE

● Current Unit Trust ... and 36p off peak ... p per minute peak ... ing (071) 925-2128.

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bank moves to support sterling

STERLING yesterday sank to *its lowest against the D-Mark* since December, at one stage falling to DM2.8720, before recovering to close in London at DM2.8750.

It appears increasingly unlikely that the UK currency could join the narrow 2.25 per cent band of the ERM before *next month's Maastricht summit.*

"That would imply a pound D-Mark rate of 2.8830, and we are already below that figure," says *Mr Christian Dunis of* Chemical Bank.

Chancellor Norman Lamont's comments, that the UK would "do whatever was necessary" to support sterling within the ERM, were backed up by discreet intervention from the Bank of England. So discreet, in fact, that many traders were increasingly annoyed at the apparent lack of central bank action in the face of a fading pound.

The severe pressure on sterling is prompting a strange turnround in the approach to the UK currency. Where once traders were talking of rate cuts, speculation over a reluctant increase is growing. The majority do not take such talk seriously, however, with a general election just around the corner.

Pressure on sterling from a strong D-Mark is likely to continue through Thursday, and *possibly* beyond if no rate rise is announced at the council meeting of the Bundebank. People will just turn their attention to the next Bundesbank meeting before Christmas, says Mr Dunis.

The pressures of the wage round – which is expected to *continue into the spring* – could well force the Bundesbank eventually to announce an increase in rates.

Sterling was increasingly left *behind on the ERM grid,* with the French franc still reaping the benefits of Monday's rates rise. The franc strengthened from 3.4181/86 per D-Mark to 3.4150/52, and sat 0.79 per cent above sterling on the grid. Profit-taking on the D-Mark helped the franc in its climb upwards, and intervention from the Bank of France was also said to have helped.

The dollar held no surprises for traders yesterday, as it tracked the decline of the Dow Jones. When the Dow fell by more than 60 points in the afternoon, the dollar went right with it to fall as low as DM1.5980.

The overhang of Bundesbank speculation seemed to add extra pressure on the US currency.

However, the dollar took brief respite at the expense of the D-Mark from a variety of rumours. They included speculation out of the Soviet Union that Russia planned to put President Mikhail Gorbachev on trial and hints that the Bundesbank had been checking dollar/D-Mark prices.

At the end of the day in London, the dollar was down from DM1.6070 to DM1.6025.

The Lira steadied yesterday, closing at DM755.84/94. However, dealers were not any more confident about the Lira, despite an increase in repo rates on Monday.

£ IN NEW YORK

Nov 19	Latest	Previous Close
£ Spot	1.7960 - 1.7970	1.7890 - 1.7900
1 month	0.91-0.90pm	0.85-0.83pm
3 months	2.45-2.42pm	2.44-2.41pm
12 months	8.78-8.68pm	8.60-8.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 19	Previous
8.30 am	91.3	91.5
9.00 am	91.3	91.5
10.00 am	91.2	91.4
11.00 am	91.2	91.5
Noon	91.2	91.4
1.00 pm	91.2	91.5
2.00 pm	91.1	91.5
3.00 pm	91.1	91.4
4.00 pm	91.1	91.3

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

'Official rate Floating rate £-2485 0 $-1395.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.885	-3.55	5.53	61
Belgian Franc	42.4032	42.0348	-0.87	2.67	43
D-Mark	2.05586	2.04096	-0.72	2.53	47
Dutch Guilder	2.31643	2.29971	-0.72	2.52	36
Irish Punt	0.767417	0.764288	-0.41	2.20	19
Italian Lira	1538.24	1541.66	0.22	1.56	-10
French Franc	6.89509	6.97019	1.09	0.69	-59
Danish Krone	7.84195	7.92824	1.10	0.67	-49
Sterling	0.696904	0.709327	1.78	0.00	-35

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Nov 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7910 - 1.7980	1.7960 - 1.7970	0.89-0.88cpm	5.91	2.41-2.38pm	5.33
Canada	2.0200 - 2.0290	2.0255 - 2.0265	0.49-0.42cpm	2.69	1.53-1.41pm	2.90
[illegible]						

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.60-4.55cpm. 12 Month 8.62-8.50pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 5½-5¼ per cent; three years 6⅛-6 per cent; four years 6⅜-6¼ per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.19	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.796	2.875	233.2	9.832	2.550	3.242	2173	2.026	59.35	1.410
$	0.557	1	1.601	129.8	5.474	1.420	1.805	1210	1.128	33.05	0.785
DM	0.348	0.625	1	81.11	3.420	0.887	1.128	755.8	0.705	20.64	0.490
YEN	4.288	7.702	12.33	1000.	42.16	10.93	13.90	9318	8.688	254.5	6.046
F Fr.	1.017	1.827	2.924	237.2	10.	2.594	3.297	2210	2.061	60.36	1.434
S Fr.	0.392	0.704	1.127	91.45	3.856	1	1.271	852.2	0.795	23.27	0.553
N Fl.	0.308	0.554	0.887	71.93	3.033	0.787	1	670.3	0.625	18.31	0.435
Lira	0.460	0.827	1.323	107.3	4.525	1.173	1.492	1000.	0.932	27.31	0.649
C$	0.494	0.886	1.419	115.1	4.853	1.259	1.600	1073	1	29.29	0.696
B Fr.	1.685	3.026	4.844	392.9	16.57	4.297	5.463	3661	3.414	100.	2.376
Ecu	0.709	1.274	2.039	165.4	6.973	1.809	2.299	1541	1.437	42.09	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE BUND FUTURES OPTIONS

[illegible]

LIFFE EUROMARK OPTIONS

[illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

PARIS

[illegible]

ECU BOND (MATIF)

December	105.94	105.88	-0.20	106.00	105.72	9.05	3,385
March	-	105.92	-0.20	-	-	9.04	201

Estimated volume 2,721 Total Open Interest 3,586

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	-	-	-	0.33	-
106	1.03	-	-	0.06	0.58	-
107	0.27	1.00	-	0.28	0.94	1.13
108	0.03	0.58	-	-	-	-
Open Int.	90,192	104,258	4,803	83,993	53,975	9,776

Estimated volume 16,587 Total Open Interest 346,997

THREE-MONTH SHORT STERLING (LIFFE)

	Close	High	Low	Prev.
Dec	91.93	91.96	91.89	91.95
Mar	92.33	92.35	92.24	92.33
Jun	92.55	92.57	92.49	92.57
Sep	92.70	92.62	92.61	92.70

Estimated volume 5415 (7151)
Previous day's open int. 25381 (25449)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2476.0	2537.0	2465.0	2522.0
Mar	2512.5	2568.5	2509.0	2558.0
Jun	2542.5			2588.5

Estimated volume 16668 (14836)
Previous day's open int. 35072 (35312)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1083.0			1090.0
Mar				

Estimated volume 0 (0)
Previous day's open int. 309 (309)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth	12-mth.
1.7965	1.7877	1.7726	1.7508	1.7108

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Beachmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Bank in early action

THE BANK of England took the steam out of the UK money markets by injecting virtually all the liquidity the market needed before noon.

"That was the end of *operations as far as we were* concerned," said one trader from a leading discount house.

The central bank had forecast a shortage of £750m, and in early trading took bills worth £643m at 10⅜ per cent.

December short sterling edged only marginally higher *from its opening of 89.48 to* 89.51, *implying that UK* interest rates were unlikely to fall from the current 10.5 per cent.

Short money held steady yesterday. One month stood at 10⅝-½, and six months out, the rate was 10½-⅜. The key three-month interbank rate was firm at 10 9/16-7/16. Overnight money eased slightly from Monday's 10⅝-10½ to yesterday's 10½-7/16.

The sterling trade weighted index weakened slightly from 91.3 to 91.11. The decline was mainly due to a stronger D-Mark, boosted by expectations of an interest rate rise in Germany and the dollar's tumble.

Sterling markets will remain nervous until Germany comes out for or against an interest rate rise. Sterling is trading at the bottom of the ERM grid.

The Bundesbank injected DM3.5bn liquidity in the German money market yesterday through two securities repurchase tenders worth DM31bn.

Some dealers saw this as a sign that the Bundesbank sought to dampen speculation over a rates increase ahead of a council meeting on Thursday.

Others said, however, that the extra liquidity was needed to offset the impact of November tax payments, expected to drain funds from the market later this week.

German call money was *marginally above Monday's* levels of 8.95/9.00, rising to 9.00/05. "The Bundesbank is determined to keep call money near the 9 per cent mark," said one dealer.

In the US, the Federal Reserve added temporary liquidity to the banking system *through $1.5bn worth of* customer repurchase agreements.

Federal funds traded at the 4¾ target during the operation.

Economists said they expected the Fed to add funds in view of a need for additional reserves during the remainder of the bank maintenance period.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.19) 3 months US dollars		6 months US Dollars	
bid 4 13/16	offer 5 1/16	bid 4 13/16	offer 5 1/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	7½	One month	4.40	Three year	5.85
Broker loan rate	7	Two month	4.53	Four year	5.96
Fed funds	4¾	Three month	4.66	Five year	6.54
Fed. funds at intervention	-	Six month	4.75	Seven year	6.96
		One year	4.83	10-year	7.35
		Two year	5.50	30-year	7.88

Nov 19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.95-9.05	9.00-9.15	9.20-9.35	9.20-9.35	9.20-9.40	9.25
Paris	9⅛-9¼	9⅛-9¼	9⅛-9¼	9⅛-9¼	9 3/16-9 5/16	9.25
Zurich	6⅞-7⅛	7¼-7⅜	-	7¾-8	-	-
Amsterdam	9.12-9.18	9.25-9.33	-	9.30-9.45	-	-
Tokyo	6⅜-6 11/16	6⅜-6½	-	6⅜-6½	-	-
Milan	10¾-10⅞	11 11/16-11 13/16	-	11¾-12	-	-
Brussels	9⅛-9¼	9⅜-9½	-	9⅜-9½	-	-
Dublin	9 15/16-10 1/16	10-10⅛	10 1/16-10 3/16	10 1/16-10 3/16	10 1/16-10 3/16	-

LONDON MONEY RATES

Nov 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅝	10⅝	10⅝	10 9/16	10½	10½
Interbank Bid	8	10⅜	10½	10 7/16	10⅜	10⅜
Sterling CDs	-	-	10 11/16	10 13/16	10½	10 7/16
Local Authority Deps.	10⅝	10 9/16	10 9/16	10 9/16	10 7/16	10 7/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10½	-	-	-	-
Company Deposits	-	-	10 11/16	10 11/16	10 9/16	10 9/16
Finance House Deposits	-	-	10½	10½	10⅜	10⅜
Treasury Bills (Buy)	-	-	10 5/16	10 1/16	9 15/16	-
Bank Bills (Buy)	-	-	10¼	10⅛	9 15/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.80	5.00	5.00	5.10
SDR Linked Dep. Offer	-	-	6 13/16	6⅞	6 13/16	6 13/16
SDR Linked Dep. Bid	-	-	6 11/16	6¾	6 11/16	6 11/16
ECU Linked Dep. Offer	-	-	9¾	9 13/16	9 13/16	9 13/16
ECU Linked Dep. Bid	-	-	9⅝	9 11/16	9 11/16	9 11/16

Treasury Bills (sell): one-month 10 5/16 per cent; three months 9 15/16 per cent, six months 9½ per cent; Bank Bills (sell): one-month 10 3/16 per cent; three months 10 1/16 per cent; Treasury Bills; Average tender rate of discount 9.9606 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31 ,1991 . Agreed rates for period Nov.26, 1991 to December 24 , 1991, Scheme I: 11.68 p.c., Schemes II & III· 11.68 p.c. Reference rate for period October 1, 1991 to October 31 , 1991, Scheme IV&V: 10.447 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from November 1 , 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent, six-nine months 9 per cent; nine-twelve months 9 per cent, Under £100,000 7 per cent from Sept 5,1991 , Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

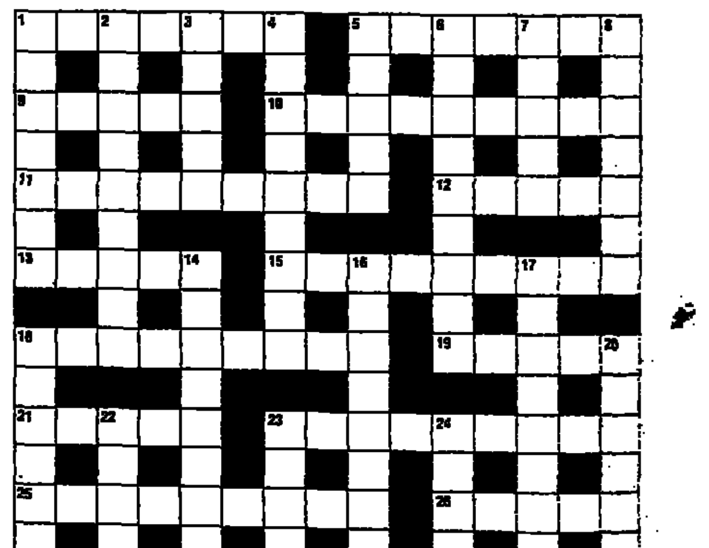
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,703 Set by CINEPHILE



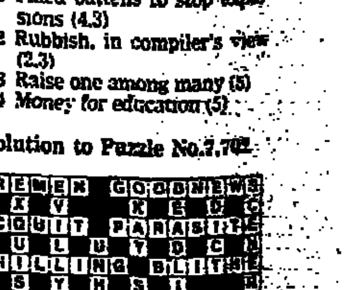
ACROSS

1 Cub without mother initially has to start breast feeding first or die (7)
5 Throw liquor from Roman fort (7)
9 Part of his lesson in geography (5)
10 Small glass birds with light round their heads (9)
11 Write in New York style: it's thrifty (5,4)
12 Hall for entertaining solvers (5)
13 Pipe carrying off dam water? (5)
15 Thrift is right with pure boy being in wages (9)
18 Way downhill for English Rugby Union? (6,3)
19 Thrifty, having had too much? (5)
21 Dance for peculiar bachelor (5)
23 Examples of thrift for posters? (9)
25 Bowling to forward stroke on top of top (9)
26 Number of member to get up (5)
27 Still happening without you (4,3)
28 Causing forgetfulness of one French and two English articles (7)

DOWN

1 Not done properly due to thrift? (7)
2 Stop dean frolicking around the cloister? (9)
3 Withdraw from international organisation, for example (5)
4 Water bird under Rock up on fairground (3,6)
5 Thrifty around the cathedral (5)
6 Thrifty person goes broke without some influence (9)
7 Broadcast a race (5)
8 Thrifty character from Lyme Regis, eg being missing (7)
14 Thrifty horse (we hear) in ascendant, hardly leaderless (9)
16 Remind one to do what a visitor does? (4,1,4)
17 Producer of sound from orange pip (5,4)
18 Conscious mind of a sea-monster turns up in a thrifty character (7)
20 Fixed battens to stop explosions (4,3)
22 Rubbish, in compiler's view (2,3)
23 Raise one among many (5)
24 Money for education (5)

Solution to Puzzle No.7,702



WORLD STOCK MARKETS

AUSTRIA

November 19	Sch	+ or −
Austrian Airlines	2,468	+30
Creditanstalt Pf	484	+2
EA General	3,230	+70
EVN	828	+1
Jungbunzlauer	9,900	+50
OeMV	989	+2
Perlmooser Zement	1,370	..
Radex Heraklith	505	+4
Reininghaus Brue	1,850	+80
Steyr Daimler	263	+4
Veitscher Magnesit	364	+11
Verbund (Br) A	506	+5
Wienerberger	4,956	+56
Z-Laenderbank		−992

BELGIUM/LUXEMBOURG

November 19	Frs.	+ or −
ACEC-Union Min	2,190	....
AG Group	1,695	+30
Arbed	3,815	+15
BBL	2,970	+20
Bank Intl a Lux	10,950	....
Banq Gen Lux Pts	12,250	+100
Barco	1,082	+2
Bekaert	9,300	....
CBR Ciment	7,430	+80
Cobepa	4,870	−10
Cobepa AFV 1	4,850	+10
Cockerill Priv	159	−2
Colruyt	4,050	+10

FRANCE (continued)

November 19	Frs.	+ or −
BNP Cert Inv	314.10	−0.40
Bancaire Cie	473	−34
Beghin-Say	608	−27
Beghin-Say Cert Inv	460	−15
Bongrain	2,586	−25
Bouygues	542	−2
CGIP	937	−9
C M B Packaging	152.50	−1.80
Canal+	1,039	−32
Cap Gemini S	254.40	−9.70
Carrefour	2,076	−19
Casino	141.30	−5.70
Cetelem	637	−13
Chargeurs	934	−17
Club Mediterranee	421	−7.10
Cogifi	342	−5
Coparex	600	....
C C F	154.40	−5.10
Cr Fonc France	970	−15
Cred Lyon (CI)	520	−10
Credit Nationale	1,002	−13
Damart	2,191	−129
Docks de France	356.10	−3.90
Dollfus Mieg Cie	277	−10.80
EBF	710	−30
Eaux Cie Genl	2,250	−45
Ecco	357	−5
Elf-Aquitaine	408	−9
Elf-Aquitaine Certs	270	−3
Essilor Int	325.10	+1.60
Etex	1,750	−20
Eurafrance	1,326	−64

CANADA

INDICES

TOKYO - Most Active Stocks

Tuesday, 19 November 1991

3:15 pm prices November 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.8	17	876	12⅞	12⅝	12⅝	-¼
22⅞	14½	A L Labs A	0.18	0.7	33	456	22	21⅝	21⅝	-⅜
55¼	40⅞	AMP Inc	1.44	2.8	88	1648	51⅞	50¼	51½	-⅞
88⅝	44¼	AMR			11	4741	60¼	57⅝	58⅝	-¼
2⅝	1	ARX			1	60	1⅛	1⅛	1½	
58	41½	ASA x	3.00	6.2	14	982	49⅞	48¾	48¾	+⅛
61⅛	39¼	Abbott Lab	1.00	1.7	23	5076	68⅞	57	57¾	-1
14⅝	9⅞	Abitibi Pr	0.50	3.7	24	17	13⅞	13⅛	13⅞	-⅛
11⅝	10⅛	ACM Gvt In x	1.26	11.4		294	11⅛	10⅞	11	-⅛
9⅞	8⅛	ACM GvOpp x	1.01	10.5		125	9⅝	9½	9⅝	
9½	8¼	ACM Gvt Sp	1.01	11.1		858	9¼	9⅛	9⅛	-⅛
11	9⅞	ACM Gvt Se	1.26	12.0		644	10½	10⅛	10½	
9	7⅞	ACM Man x	1.01	12.0		443	8⅝	8⅜	8⅜	-⅛
12⅞	11½	ACM Mgd x	1.35	10.7		561	12⅜	12⅝	12⅝	
7½	4¼	Acme Cleve	0.40	6.7	18	125	6⅛	6	6	
6	3⅝	Acme Elect			44	16	4⅞	4⅞	4⅞	+⅛
40	22¼	Acuson			82	691	34	33¼	33⅝	-1⅝
20⅛	14¼	Adams Expr x	5.08	27.8		04582	19	18⅛	18⅜	-1⅞
20⅛	17½	Adobe12Pl	2.40	12.6		8	19	18⅞	19	
9¼	6⅝	Adobe Res			10	330	7	6⅞	6⅞	-⅛
38⅛	18	Ad Micro				99	37	36⅜	36⅜	-⅛
14¼	4⅝	Ad Micro P	3.00	24.2	95	1788	12⅞	12⅛	12⅛	-⅝
5⅛	2¼	Advest Grp	0.16	3.8	6	158	4⅛	4¼	4¼	-⅛
49⅛	31⅞	Aetna Lf	2.76	7.4	35	3006	38	37	37¼	-1
10⅝	6½	AMI A x	0.24	3.0	52	1504	8	7⅞	7⅞	-⅛
20⅞	12	Ahmanson x	0.88	6.0	9	3835	15⅛	14½	14⅜	-⅛
18⅛	2⅞	Aileen Inc			15	353	17⅛	16¼	15⅜	-1⅛

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
66	35¼	Xerox x	3.00	4.8	5	82175	62⅝	61⅛	61⅜	-1¼
51¾	43¼	Xerox4.125 x				11	51	50¼	51	
25⅛	14⅞	Xtra 1.94 x	-			50	23⅛	23	23	-⅛
39⅞	14⅛	Xtra Corp x	0.72	2.7	99	79	27⅛	26¾	26⅞	-⅜
27⅞	21¾	Yankee Egy	1.60	6.0	12	23	27⅛	26⅞	26⅞	-⅛
1½	⅜	Zapata				11675	⅝	d½	9/16	
9⅞	5¼	ZenithElec			2	227	6⅝	6⅛	6½	-⅛
18½	12	Zenith Nat	1.00	6.6	22	42	15½	15⅛	15⅛	-⅝
8⅞	4½	Zenix Inc x	0.84	13.4		107	6¼	6⅛	6¼	+⅛
15¼	10⅞	Zero Corp	0.40	3.4	16	221	11⅞	11⅝	11¾	-⅛
41⅞	29½	Zurn Ind x	0.88	2.6	14	333	34¼	33⅞	34⅛	-¼
13½	10¼	Zweig Fund	1.16	9.2		177	12¼	12⅝	12⅝	
10½	8½	Zweig Totl x	0.96	9.5		1021	10⅜	10⅛	10⅜	-¼

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices November 19

NASDAQ NATIONAL MARKET

3:15 pm prices November 19

- V -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Valid Lgc		6	5402	6⅞	6½	6 11/16	-⅛
ValleyNat		24	3030	26½	25⅝	25⅝	-⅝
Valmont	0.26	31	374	11⅞	11	11½	-½
Value Nck		39	1511	39¾	37¾	38⅝	-1⅛
Vngrd Cell		90	580	26¼	25¼	25¼	-1
Velobind		192	84	u9¾	9⅝	9⅝	
Vencor		44	1005	31¾	30	30¾	-¾
Verifone		25	3046	18½	17¾	18¼	-½
Vicor		81	3201	38½	31½	32½	-6
VicorpRst		12	843	18¾	17	17¾	-1¼
Viewlink		18	33	10⅜	10¼	10¼	
VLSI Tech		14	1465	7⅛	6⅝	6¾	-¼
Volvo B	2.13	13	99	58½	58¼	58½	-1¾

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Warner En	0.18	15	362	25¾	24¼	24¼	-1¾
Warmtech			640	2⅝	2⅜	2½	-⅛
WashMutSB	0.60	47	1313	28⅞	27⅞	28⅛	-⅜
WshEnrgy x	1.40	15	575	22¾	22¼	22¼	-½
WashFedSL	1.12	11	339	35¾	35	35¾	+¼
WatsnIndA x	0.24	19	421	48½	47	47	-1½
Wausau PM	0.60	17	304	75½	68	68½	-6½
WD - 40	1.72	15	42	31¾	30¾	31¾	
Weitek		100	678	6¼	5¾	6	-¼
West One x	0.96	8	708	30½	29¾	30¼	-¼
WstnPubl		98	761	14⅛	12⅝	12⅞	-1¾
Westmark		31	1249	50¼	48	48¼	-1¾
WstnCost x	0.32	33	83	19½	18	18	-½
Wst SealA		20	24	10	9¼	9⅝	+⅜
Wetterau x	0.88	47	1951	25¼	d24⅝	24½	-½
Wical Sys		81	456	3⅛	3⅛	3¼	
Willamette x	1.80	22	649	54½	53	53	-1½
WmSonoma		14	962	14	d13	13¾	
Wiser Oil	0.40	545	77	16⅞	16¼	16⅞	-½
Wolohan L x	0.28	9	225	16¾	16	16	-⅞
Wolv Expl		0	17	½	15/32	½	+1/32
WrldExWSA			10	⅜	d¼	⅜	
Wthington	0.43	27	2008	21⅞	20	20¾	-½
WPP Group	1.11	1	178	2⅞	2⅛	2⅛	-¼
Wyman-Gdn	0.40	9	218	3¾	3½	3⅝	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	3940	24⅞	24	24¼	-½
XL Data		32	526	11⅛	10½	10⅝	-⅛
Xoma Corp		42	4130	19	17½	18	-1
Yellow Fr	0.94	89	2946	28⅝	d26	26¾	-2
York Rsch		62	549	8	7¼	7½	-¼
ZionsUtah	1.44	9	19	45½	44¾	44¾	-¼

AMERICA

Dow resumes slide after Monday's brief recovery

Wall Street

US equities resumed their downward course after Monday's brief rally, with share prices falling sharply across the board in heavy trading yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 56.80 at 2,915.92, near its lows for the day. The more broadly based Standard & Poor's was also markedly lower at midsession, down 7.24 at 378.05 at 1 pm. The biggest decline, however, was posted by the Nasdaq composite of over-the-counter stocks, which plunged 13.36 to 521.37.

Turnover on the NYSE was exceptionally heavy at 136m shares by 1 pm. Declines outpaced rises by more than six to one, an indication of the weight of the selling pressure.

The market took its cue from overnight and early morning losses on foreign stock exchanges, particularly London, where US stocks ran into sellers before New York opened. Concern about the *grim outlook for the US economy*, and the absence of fresh policy initiatives to stimulate growth from the White House, also contributed to the selling.

Some analysts also pointed out that dealers and specialist market-makers who were forced to buy unwanted stock during Friday's collapse took the opportunity to offload a portion of that inventory yesterday morning, after Monday's brief rebound.

Among individual stocks, leading computer issues were *damaged by a downgrade from* Mr Stephen Smith, analyst at broking house PaineWebber. Among those affected were IBM, down $1⅞ to $95⅝, Compaq, down $1 at $24⅞, Digital Equipment, $1⅜ lower at $61⅞, and Tandem Computers, down $¼ at $9⅞.

There were a few rare gains yesterday, including Salomon, up $¼ at $28½ on reports of major job cuts in its struggling investment banking and equities divisions, and Great Lakes Chemical, up $1¼ at $100¼ on the news that the company's stock is to be added to the S&P 500 index after the market closes this week.

AT&T fell $1⅜ to $35⅝ after the telecommunications group told analysts to expect a big charge for costs of accounting for retiree benefits. The company, *however, said the charge* would be well below the $16bn originally rumoured.

The news that McDonnell Douglas is close to selling a 40 per cent stake in its commercial airline operations to a Taiwanese company failed to help the aerospace group's shares, which fell $1⅝ to $71⅝.

The correction among over-the-counter stocks continued unabated. Biotechnology stocks again bore the brunt of the selling, with Amgen $1⅛ lower at $53¼, MedImmune *$4½ weaker at $38⅛, Xoma $1* lower at $18, Immune Response down $2 at $35¼, and Centocor down $1¼ at $45½. Liposome Technology, which issued an additional 3m shares of its common stock at $9.375 yesterday, fell $⅝ to $9¼.

Canada

TORONTO almost matched Friday's fall at midday, the TSE 300 composite index dropping 37.2 to 3,513.4. Declines led advances by 313 to 125 in volume of 14.6m shares valued at C$177m.

Thirteen of the TSE's 14 indices were weaker, with gold shares the lone exception.

Among active stocks CAE Industries was steady at C$6, Nova Corp fell C$⅛ to C$7½ and Telus Corp dropped C$¼ *to C$14⅞.*

In natural resources, Metall Mining was unchanged at C$10⅝, Hemlo Gold was up C$⅜ at C$11¼ and American Barrick rose C$⅝ to C$29⅝.

Sentiment warms towards Dutch insurers

Investors worried about the UK could look across the North Sea, says **Richard Lapper**

INVESTORS sceptical *about UK insurance stocks* might usefully take a look across the North Sea to their Dutch counterparts, which could be poised for a period of strength.

Although the leading Dutch companies have had a patchy year so far, market sentiment towards them is beginning to turn, encouraged by evidence that they are in better shape *than insurers elsewhere in* northern Europe.

One pointer was the remarkable resilience in the share price of the country's biggest insurer, Internationale Nederlanden Group (ING), last Friday following news of disastrous losses at its reinsurance subsidiary.

Another is in the share prices of Aegon and Amev, which have increased by about 10 per cent since the beginning of November.

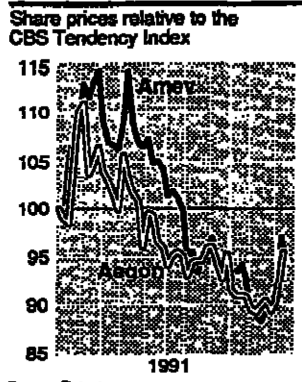
If the rally is sustained, it will reinforce the view of those who believe that Dutch insurers represent an attractive alternative for investors who are keen to retain holdings in *the sector but who are disillu*sioned with the poor performance of the UK composites.

The Dutch market is relatively open and more closely resembles that of the UK than any other EC member state. This means that Dutch companies are less protected than those in other European markets from the competitive pressures which will be unleashed *by European liberalisation,* says Mr Angus Runciman at Banque Nationale de Paris.

ING's problems this week are the latest in what has been an erratic year for Europe's biggest banking and insurance group, created by the merger last year of Nationale Nederlanden with NMB Postbank.

As in the case of the UK's composites, Nat Ned was battered by the European storms of January 1990 – its non-life business made losses of Fl 151m in 1990 – but, unlike its British counterparts, the group has recovered strongly this year, reporting good first-half net profits up 19 per cent.

Share prices relative to the CBS Tendency Index



Source: Datastream

But on Friday the group revealed the full extent of problems at its reinsurance subsidiary, NRG, when it announced that losses were accumulating at Victory, the UK reinsurance company acquired by NRG in 1990. ING will pump over Fl 600m into the group, buying out minority shareholders and bolstering reserves against loss-making liability business.

For a company frequently out of favour with investors, *the transaction should have* had a disastrous effect, yet the share price improved 60 cents to Fl 48.70.

The recent rise in Amev and Aegon, meanwhile, appears to have been influenced by the prospect of lower interest rates in the Netherlands on hints that German interest rates, which have a direct influence on Dutch policy, *will remain flat, says Mr Tom* Bennett of Banque Paribas Capital Markets.

Mr Bennett says that because of the structure of their life funds, whose liabilities are linked to the yield on a basket of government funds, Dutch companies are particularly well placed to benefit from lower interest rates.

Aegon has also been helped by its success in obtaining a listing on the New York Stock Exchange this month. The company had previously traded on the over-the-counter market in the US. Mr Heinie Hakker, who follows Dutch insurance stocks for Barclays de Zoete Wedd in Amsterdam, *says the company* has also been supported by news that it has up to $500m available to fund its expansion in the US life market, from which it derives about 50 per cent of its income.

Analysts suggest that fundamental factors are also at work. Dutch insurance stocks are "extremely cheap", with price/earnings ratios of between 7 and 8, adds Mr Bennett.

Furthermore, Dutch insurers are more genuinely composite than their UK equivalents, with the less volatile life business accounting for 35 per cent of Amev's income, 41 per cent of ING's and 60 per cent of Aegon's.

According to Mr Angus Runciman, the Dutch companies have been badly affected by the poor performances of their UK and Scandinavian competitors. "The market is now beginning to realise that they are in nowhere near as bad a state as it thought," he says.

ASIA PACIFIC

Most of region rebounds as Nikkei closes lower

Tokyo

HOPES OF a rebound after Monday's sharp decline were dashed yesterday, as share prices closed lower after a volatile session dominated by arbitrage-related trading, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 73.26 to end at the day's low of 23,326.86 after a high of 23,673.24. The market firmed in the morning on the overnight rally on Wall Street, but arbitrage-related selling pushed the index down in the afternoon.

Volume remained low at 280m shares. In spite of the fall in the index, rises led declines by 644 to 296 with 177 issues unchanged. The Topix index picked up 2.95 to 1,773.60 but, in London, the ISE/Nikkei 50 index retreated 10.61 to 1,319.33.

The spate of interim earnings announcements has sent jitters through the market. Many companies have announced downward revisions for the full year, with some manufacturers projecting double-digit declines in profits.

In addition, the time lag between last week's official discount rate cut and next week's reduction in interest rates for postal savings has enticed investors looking for better returns to offload their equity holdings, and shift funds into the 10-year postal deposits. Analysts noted heavy selling by investment trusts trying to move out of the stock market.

Finally, the new listing by Sony Music Entertainment, scheduled for the end of this week, is troubling investors. Some traders pointed out that the pre-listing auction for Sony Music shares was one of the worst in recent listings. They fear that an over-supply of new paper, in current conditions of sluggish demand, could undermine the market.

Large-capital issues were actively bought in the first half of the session, but buying failed to be sustained and some stocks lost ground on profit-taking. Nippon Steel managed a gain of Y3 at Y376 but Mitsubishi Heavy Industries was off Y2 on balance at Y688.

Due to concern over selling of large-capital shares by investment trusts and other institutional investors, some investors turned to speculative issues. Toyo Ink, the most active stock of the day, forged ahead Y68 to Y880 and Clarion rose Y70 to Y1,460.

Rubber companies advanced on hopes of higher sales triggered by growing calls for Aids prevention. Okamoto Industries surged Y100 to Y1,020, and Japan Synthetic Rubber Y75 to Y690.

In Osaka, the OSE average shed 45.09 to 25,345.50 in volume of 43m shares. Some high-priced issues and speculative stocks were higher, but most investors remained cautious.

Roundup

MOST PACIFIC Rim markets, with the exception of Seoul, recovered from Monday's falls.

NEW ZEALAND closed firmer but below the day's high as lingering nervousness about Wall Street kept buyers cautious. The NZSE-40 Index was finally 10.72 up at 1,495.57 after touching 1,503.71. Turnover expanded to NZ$22.5m from NZ$16.7m.

TAIWAN finished stronger after moderately active trading, belatedly encouraged by the interest rate cut on Monday. The weighted index moved forward 60.25 to 4,480.94 as turnover increased to T$21.49bn from T$20.42bn.

AUSTRALIA gained ground after the positive close on Wall Street overnight. The All Ordinaries index ended 10.3 ahead at 1,656.8 in turnover of A$256m, against A$284m.

News Corp put on 10 cents to A$15.34 after Moody's Investors Service said it is continuing its review of the long-term credit ratings of News Corp subsidiaries, but that it had changed the direction of its review to a possible upgrade from a possible downgrade.

MANILA ended narrowly mixed. The composite index edged up 2.66 to 1,102.31 in turnover of 84.1m pesos.

SEOUL tumbled for the eighth day in a row on news that the Hyundai Group's owner had refused to pay back-taxes and penalties assessed for allegedly illegal stock transactions. The composite index finished 7.74 weaker at 656.01 in turnover of Won157.6bn, after Won138.3bn.

HONG KONG rose sharply in brisk trading, recovering virtually all of its previous day's decline. The Hang Seng index gained 63.02 to 4,261.23 in turnover of HK$2bn, down from HK$2.5bn. Banks registered the day's best gains, followed by property counters and the commerce and industrial sectors.

SINGAPORE registered steady rises during the day to close near the day's best. The Straits Times Industrial index rallied 19.78 to 1,439.95. Volume fell to S$119m from S$207m.

KUALA LUMPUR saw profit-taking in the afternoon, the composite index adding a net 7.04 at 535.64. Volume shrank to M$68.7m from M$128m.

BANGKOK jumped across a broad front in the last 10 minutes of trading on news that the military junta had bowed to public pressure to amend the draft constitution. The SET index ended 25.16 or 3.85 per cent higher at 678.62 on turnover of Bt3.51bn.

KARACHI established a new high on news that Crédit Lyonnais was setting up a $25.75m Pakistan growth fund. The KSE 50-share index added 20 at 2,842.

BOMBAY also reached a record peak, responding to better than expected interim results. The BSE index climbed 52.83 or 2.8 per cent to 1,924.15.

EUROPE

Bourses split in reflection of US volatility

ONCE AGAIN, bourse performance split between markets which closed early, and were exposed only to Wall Street's Monday recovery, and those which reflected its accelerating decline in Tuesday morning trading, *writes Our Markets Staff.*

PARIS continued to fall in the wake of Monday's interest rate rise and Wall Street's weakness. The CAC 40 index closed at 1,765.09, down 43.18 or 2.4 per cent, in turnover of FFr3bn after Monday's exceptionally heavy FFr3.8bn.

In the oil sector, Elf Aquitaine was down FFr9 to FFr408 while Total dipped FFr28 to FFr1,017. Among the smaller stocks, Sanofi dropped as low as FFr913 before closing FFr35 down at FFr940 with a relatively heavy 44,000 shares traded.

AMSTERDAM concentrated on KLM which soared as high as Fl 43.80 in an initial reaction to reports that British Airawys was going to take it over. But it fell back to close only Fl 1.90 higher at Fl 39.40 as the market discounted the story as an attempt by the trade unions to influence the talks between the two airlines.

Elsewhere, the market was generally weaker in the face of the fall on Wall Street. The CBS Tendency index fell 0.6 to 90.0. The publisher Elsevier closed 50 cents lower at Fl 96.90, after a high of Fl 98.70 as a buyer over the past four trading days stepped out of the market.

MILAN was led higher by Montedison which rose 3.7 per cent on optimism that the restructuring of its sugar and edible oil businesses would enhance earnings. The Comit index added 3.29 to 514.45 in turnover estimated at near Monday's L85bn.

Montedison put on L46 to L1,285 on foreign buying, then gained further on the kerb to end the day at L1,293. There were also rumours that a subsidiary of Montedison might win the contract to build a high-speed rail link between Milan and Genoa.

There was also speculative buying reported for Alivar and Sme, two food groups, as well as the national airline Alitalia. Alitalia added 2.2 per cent or L96 to L705 on privatisation hopes before falling back to L635.

ZURICH fell in high volume on the US trade deficit and Wall Street's weak opening. One dealer said that most selling orders came from foreign investors as the Crédit Suisse index retreated 6.2, or 1.2 per cent to 477.0.

Brown Boveri bearers fell SFr140 to SFr3,590 and topped the active list as traders talked of a drop in orders, the US recession, and group nine-month figures due today.

FRANKFURT moved quietly towards today's holiday, but a good start ran into problems with sell positions overhanging the market, and after a fall of only 0.19 to 658.79 in the FAZ index at midsession the DAX closed 12.88 lower at 1,599.05.

Volume fell from DM6.4bn to DM4.5bn, reflecting the holiday and the legitimate concern of traders who, after last Friday, did not want to be exposed to two days of Wall Street trading before they come back to work tomorrow.

The main results of the day, covering nine months from Hoechst, were as expected and left the shares only DM1.20 lower at DM229.60.

OSLO saw a 3.6 per cent fall in the bourse, one of 7.5 per cent in the banking index and a drop of NKr1.80, or 17 per cent to NKr8.70 in Den norske Bank, Norway's biggest bank, which said last week that it might need new preference capital. Traders did not like the conjunction of the 15.2 fall to 406.90 in the all-share index, and active trading with turnover worth NKr370.5m.

HELSINKI reverted to a decline in markka terms, the Hex index falling 11.9 to 853.2. International analysts had been cautious about prospects following last week's effective devaluation, and Friday's 50-point rise in the index.

VIENNA, recently somnolent and depressed, took the cue from Wall Street's Monday recovery and its early closing ATX index recouped 10.91 to 997.95.

ISTANBUL fell on profit-taking following Monday's 7.7 per cent rise and a 15.5 per cent gain last week, the market index falling 67.36 to 3,311.43.

FT-SE Eurotrack 100 - Nov 19

Hourly changes

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1088.39	1088.07	1085.42	1082.94	1082.02	1078.23	1076.39	1075.11

Day's High 1088.40 | Day's Low 1074.70

Nov 18	Nov 15	Nov 14	Nov 13	Nov 12
1084.16	1109.27	1109.78	1104.90	1106.72

Base value 1000 (26/10/90)

POLAND'S fledgling stock exchange moved into step with world stock markets at its weekly session yesterday, during which all eight domestic stocks suffered their worst falls since the exchange opened last spring, writes Christopher Bobinski in Warsaw.

The Exbud construction company, the exchange's best performer, saw its shares fall to Zl 270,000 (US$23) from a record high of Zl 300,000 set last week, with Zl 4.7bn worth of Exbud shares changing hands.

Trading in stocks of three companies – the Krosno glass works, the Zywiec brewery and the Tonsil electronics works – was suspended when sellers exceeded buyers five-fold. The exchange, based on the French bourse system, limits price falls in any one session to 10 per cent.

SOUTH AFRICA

JOHANNESBURG saw its non-gold shares reverse initial gains to close softer. The overall index fell 7 to 3,457 as the industrial index lost 9 to 4,195. But the all-gold index gained 17 to 1,113 as the bullion price rose above $362.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie *in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 18 1991								FRIDAY NOVEMBER 15 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	155.91	−1.6	129.10	127.53	130.26	131.78	−1.8	4.59	158.48	132.82	130.13	134.96	134.13	160.31	112.74	122.74
Austria (20)	171.97	+1.6	142.39	140.66	143.67	143.48	−0.3	2.00	169.19	141.80	138.93	144.08	143.94	222.37	153.86	202.60
Belgium (47)	136.16	+1.4	112.75	111.37	113.76	111.15	−0.6	5.33	134.31	112.56	110.27	114.37	111.78	151.20	118.04	138.74
Canada (115)	142.28	+0.5	117.81	116.37	118.86	118.21	+0.3	3.20	141.55	118.63	116.22	120.53	115.87	144.28	126.49	125.34
Denmark (37)	263.40	+1.0	218.10	215.45	220.06	223.72	−0.9	1.58	260.81	218.58	214.16	222.10	225.78	270.56	217.74	256.10
Finland (15)	84.21	+1.6	69.73	68.89	70.36	76.53	+0.3	3.18	82.91	69.48	68.08	70.60	76.30	125.15	82.91	105.75
France (109)	145.12	−0.8	120.16	118.70	121.23	125.03	−2.7	3.55	146.33	122.64	120.15	124.61	128.54	152.26	119.11	141.39
Germany (65)	113.75	+0.5	94.19	93.05	95.03	95.03	−1.4	2.43	113.18	94.86	92.95	96.38	96.38	125.35	94.15	119.44
Hong Kong (55)	173.17	−1.5	143.39	141.65	144.69	172.36	−1.6	4.30	175.86	147.39	144.40	149.77	175.18	175.86	119.62	123.78
Ireland (18)	161.89	−0.4	134.05	132.42	135.26	137.34	−2.2	3.65	162.55	136.24	133.48	138.43	140.39	182.46	132.66	153.02
Italy (77)	71.38	+0.5	59.11	58.39	59.64	64.75	−1.2	3.58	71.06	59.55	58.34	60.51	65.52	88.23	64.76	79.66
Japan (474)	134.87	−1.9	111.67	110.32	112.69	110.32	−2.3	0.77	137.44	115.19	112.86	117.06	112.86	146.97	118.23	128.19
Malaysia (68)	202.65	−3.2	167.80	165.75	169.30	213.30	−3.4	2.91	209.30	175.41	171.85	178.23	220.91	247.78	189.18	195.59
Mexico (17)	1385.34	−1.4	1147.10	1133.15	1157.42	4636.36	−1.4	1.10	1404.63	1177.22	1153.37	1196.18	4700.94	1404.63	534.45	552.94
Netherland (31)	147.40	−0.2	122.05	120.56	123.15	121.83	−2.1	4.43	147.76	123.84	121.33	125.84	124.43	148.24	125.70	134.19
New Zealand (14)	47.77	−2.5	39.56	39.08	39.91	44.85	−3.2	6.20	48.99	41.06	40.23	41.72	46.31	54.64	41.18	48.81
Norway (30)	178.13	−1.7	147.50	145.71	148.83	152.51	−3.6	1.69	181.19	151.86	148.78	154.31	158.14	223.24	178.13	214.80
Singapore (38)	203.02	−2.8	168.11	166.06	169.61	155.63	−3.4	2.24	208.90	175.08	171.53	177.89	161.05	213.93	151.63	156.16
South Africa (61)	267.10	−0.1	221.16	218.47	223.15	175.05	−1.4	2.80	267.30	224.02	219.48	227.63	177.59	269.05	173.00	169.94
Spain (53)	148.39	+0.1	122.87	121.38	123.97	114.10	−1.4	4.82	148.29	124.28	121.77	126.23	115.77	171.12	131.51	150.52
Sweden (25)	173.38	−0.5	143.57	141.82	144.86	150.80	−2.4	2.96	174.18	145.98	143.02	148.33	154.58	204.12	146.60	166.32
Switzerland (59)	98.20	−0.5	81.31	80.33	82.06	86.88	−2.2	2.33	98.66	82.63	81.02	84.03	88.81	100.67	82.17	92.63
United Kingdom (240)	179.49	−0.5	148.63	146.80	149.95	148.63	−1.7	5.01	180.42	151.21	148.13	153.63	151.21	187.44	156.27	165.17
USA (526)	156.59	+0.6	129.66	128.09	130.83	156.59	+0.6	3.10	155.67	130.47	127.83	132.58	155.67	161.59	125.95	128.84
Europe (826)	142.74	−0.2	118.19	116.75	119.26	119.46	−1.8	4.04	143.06	119.90	117.47	121.83	121.52	151.52	125.50	138.37
Nordic (107)	179.75	+0.1	148.84	147.03	150.18	146.92	−1.6	2.17	179.51	150.45	147.40	152.87	151.82	200.81	155.55	179.13
Pacific Basin (718)	136.20	−1.9	112.78	111.41	113.79	112.43	−2.2	1.11	138.81	116.33	113.98	118.21	115.00	145.92	117.86	127.50
Euro–Pacific (1544)	139.14	−1.2	115.21	113.80	116.24	116.02	−2.1	2.31	140.84	118.04	115.64	119.93	118.45	147.66	121.29	132.28
North America (641)	155.62	+0.6	128.85	127.30	130.04	153.87	+0.6	3.10	154.71	129.67	127.05	131.78	153.00	160.44	125.91	128.54
Europe Ex. UK (586)	120.76	+0.0	99.99	98.80	100.92	102.67	−1.8	3.31	120.77	101.22	99.19	102.87	104.59	129.80	103.58	121.60
Pacific Ex. Japan (244)	149.34	−1.9	123.66	122.17	124.78	132.01	−2.1	4.19	152.24	127.59	125.02	129.66	134.84	153.19	111.40	118.71
World Ex. US (1737)	141.39	−1.1	117.08	115.66	118.14	117.74	−2.0	2.34	143.01	119.85	117.44	121.79	120.09	148.16	122.32	132.65
World Ex. UK (2023)	142.22	−0.5	117.76	116.34	118.83	127.99	−1.0	2.33	142.95	119.81	117.29	121.75	129.24	146.16	120.06	126.89
World Ex. So. Af. (2202)	144.64	−0.5	119.77	118.32	120.86	129.56	−1.0	2.61	145.40	121.86	119.40	123.83	130.92	148.66	122.92	130.05
World Ex. Japan (1789)	152.46	+0.1	126.24	124.71	127.39	140.77	−0.5	3.47	152.25	127.60	125.03	129.68	141.44	156.59	126.69	132.67
The World Index (2263)	145.46	−0.5	120.45	118.99	121.54	129.96	−1.0	2.61	146.21	122.54	120.06	124.52	131.33	149.37	123.28	130.29

Constituent change 19/11/91: Name change: Ampol Exploration to Ampolex (Australia). Latest prices were unavailable for this edition